

## PATENT LAW AS PUBLIC LAW

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## INTRODUCTION

Public law, or public impact, litigation takes many forms. The paradigm of public law litigation includes structural challenges to public institutions like segregated schools and overcrowded prisons,<sup>1</sup> yet it also encompasses employment discrimination, securities fraud, antitrust, and environmental cases.<sup>2</sup> In his seminal article on the subject, Professor Abram Chayes explains that public law adjudication usually concerns complaints about governmental conduct, and is characterized by complex party structures and requests for ongoing remedial measures that have widespread effects on individuals not before the court.<sup>3</sup> Public law adjudication is further typified by active judges who decide substantive matters and are responsible for the overall management of the suit.<sup>4</sup>

Patent litigation historically has been regarded as private law litigation, meaning “disputes between private parties about private rights.”<sup>5</sup> It has been compared to property, contract, and tort litigation, all of which fall within the realm of private law adjudication.<sup>6</sup> Were patent litigation to con-

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<sup>1</sup> Abram Chayes, *The Role of the Judge in Public Law Litigation*, 89 HARV. L. REV. 1281, 1284 (1976); Richard Marcus, *Reviving Judicial Gatekeeping of Aggregation: Scrutinizing the Merits on Class Certification*, 79 GEO. WASH. L. REV. 324, 342 (2011).

<sup>2</sup> Chayes, *supra* note 1, at 1284. *But see* William B. Rubenstein, *A Transactional Model of Adjudication*, 89 GEO. L.J. 371, 414-16 (2001) (distinguishing securities and mass tort litigation from traditional public law adjudication).

<sup>3</sup> Chayes, *supra* note 1, at 1284.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 1282.

<sup>6</sup> *See* *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.”); *In re Cambridge Biotech Corp.*, 186 F.3d 1356, 1371 (Fed. Cir. 1999) (“Patent infringement is properly classified as a tort, albeit one created by federal statute.”); *Davis Airfoils, Inc. v. United States*, 124 F. Supp. 350, 352 (Ct. Cl. 1954) (“A patent is a contract between the inventor and the public, the terms of which are formulated by the United States Patent Office.”).

sist exclusively of infringement claims—where an intellectual property owner sues another for unauthorized use of his property—this analogy might make sense.<sup>7</sup> But patent suits today are not limited to infringement claims; they consistently involve disputes over patent validity.<sup>8</sup> Indeed, patent validity is sometimes the only issue in dispute. And because questions of patent validity differ fundamentally from infringement, the private law paradigm breaks down for modern patent litigation.

Unlike patent infringement, the core issue in patent validity disputes is governmental conduct, namely whether the U.S. Patent & Trademark Office (“PTO”) made a mistake when it issued the patent.<sup>9</sup> The answer to this question—whether the invention was actually patentable—lies at the heart of our patent system.<sup>10</sup> The aim of the U.S. patent system, as set forth in the Constitution itself, is “[t]o promote the Progress of Science and useful Arts.”<sup>11</sup> The Constitution contemplates a quid pro quo in furtherance of this objective: inventors disclose new and useful technologies to the public in exchange for the limited exclusive right to use the patented invention.<sup>12</sup> So when the PTO mistakenly grants a patent, the inventor gets his reward, but society gets nothing in return because the invention was not actually new or useful.<sup>13</sup> Thus, invalid patents undermine the very purpose of our patent system.

Questions of patent validity are raised in litigation in one of two ways. Most often the issue is raised as a counterclaim or affirmative defense by a defendant who has been sued for infringement.<sup>14</sup> The second but significantly less common method is the affirmative testing of patent validity through declaratory judgment actions.<sup>15</sup> However the issue of validity presents itself, the aftereffects of a successful validity challenge are identical: the previously protected intellectual property enters the public domain and creates a public good.<sup>16</sup> Competitors of the patent owner and consumers of

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<sup>7</sup> 35 U.S.C. § 271 (2006) (defining patent infringement); *see infra* Part IV (discussing the public and private law characteristics of patent infringement claims).

<sup>8</sup> Lisa A. Dolak, *Power or Prudence: Toward a Better Standard for Evaluating Patent Litigants’ Access to the Declaratory Judgment Remedy*, 41 U.S.F. L. REV. 407, 410-11 (2007).

<sup>9</sup> *See infra* Part II (setting out requirements for patentability).

<sup>10</sup> *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 264 (1979) (noting “the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain”).

<sup>11</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>12</sup> *Id.*; *Brenner v. Manson*, 383 U.S. 519, 534 (1966).

<sup>13</sup> *See Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (explaining that inventions covered by invalid patents “are in reality a part of the public domain”).

<sup>14</sup> Dolak, *supra* note 8, at 410.

<sup>15</sup> *See infra* Part II.B (discussing patent declaratory judgment actions).

<sup>16</sup> *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50 (1971) (holding that once a patent is invalidated, nonmutual collateral estoppel prevents the patent owner from ever asserting it again); Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents:*

the patented product—parties who did not participate in the litigation—benefit just like the party who successfully challenged the patent.<sup>17</sup> Thus, patent validity challenges are complaints about government conduct that implicate important public interests and potentially affect many parties not before the court. Validity disputes, therefore, fit within Professor Chayes’s paradigm of public law litigation.

A public law regime is most successful when a host of enforcement mechanisms are available. In many areas of public law, there are well-established systems of public enforcement through federal and state agencies, as well as private enforcement mechanisms such as administrative hearings and lawsuits.<sup>18</sup> Some of these mechanisms are available for patents. The PTO, for example, polices patents *ex ante* by examining patent applications in an attempt to ensure that the invention satisfies all the requirements of patentability. Moreover, the recently enacted Leahy-Smith America Invents Act (“AIA”) creates certain private enforcement measures, namely a third party post-grant review proceeding to challenge patent validity at the PTO.<sup>19</sup> Yet, in contradistinction to many other public law regimes, what the patent system lacks is robust privately initiated litigation to challenge the validity of suspect patents.

Privately initiated litigation has played an integral role in the enforcement of a panoply of public rights, including antitrust, environmental rights, free speech, and equal protection, to name just a few. Sometimes plaintiffs sue as “private attorneys general,” meaning they sue not only to enforce their own private rights, but to vindicate the interests of the public at large.<sup>20</sup> At other times, public interest groups have been the driving force behind large-scale public law adjudication. Groups like the NAACP and ACLU, for example, have organized and financed litigation challenging racial segregation,<sup>21</sup> restrictions on free speech,<sup>22</sup> and invasions of privacy.<sup>23</sup> Public

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*Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKLEY TECH. L.J. 943, 952 (2004).

<sup>17</sup> See *infra* Part II.C (discussing how successful validity challenges create public goods from which all of society benefits).

<sup>18</sup> See generally Eloise Pasachoff, *Special Education, Poverty, and the Limits of Private Enforcement*, 86 NOTRE DAME L. REV. 1413, 1417 (2011) (“The IDEA requires that states provide ‘appropriate’ educational services to children with disabilities, supplying some federal funding to help make this possible. It creates a host of private enforcement mechanisms, from administrative hearings to lawsuits, as well as a system of public enforcement through federal and state agencies.”).

<sup>19</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 321, 125 Stat. 284, 306 (2011).

<sup>20</sup> See generally John C. Coffee, Jr., *Rescuing the Private Attorney General: Why the Model of the Lawyer as Bounty Hunter Is Not Working*, 42 MD. L. REV. 215, 216 (1983).

<sup>21</sup> *Brown v. Bd. of Educ.*, 347 U.S. 483 (1954); Derrick A. Bell, Jr., *Serving Two Masters: Integration Ideals and Client Interests in School Desegregation Litigation*, 85 YALE L.J. 470, 473 (1976) (“By the early 1930’s, the NAACP, with the support of a foundation grant, had organized a concerted program of legal attacks on racial segregation. . . . [T]he campaign [was] a carefully planned one to

interest groups play a particularly prominent role in public law cases where an exclusively equitable remedy is sought, rather than monetary damages.

Together, private attorneys general and public interest organizations supplement public law regimes in two vital ways. First, they act as watchdogs and deter wrongdoing.<sup>24</sup> Second, they fill an enforcement gap created by underfunded and understaffed government offices.<sup>25</sup> Indeed, lawmakers, executive officers, and judges alike have recognized the benefit afforded by privately initiated public law adjudication.<sup>26</sup> So, this invites the question why private lawsuits are not being used to challenge potentially invalid patents.

Under our current system, the only mechanism available to parties wishing to challenge invalid patents in federal court is an action pursuant to the Declaratory Judgment Act.<sup>27</sup> While useful in many respects, declaratory judgment actions exhibit certain limitations that discourage patent validity contests. These disincentives include the lack of a financial reward for invalidating patents and the risk of triggering countersuits for infringement.<sup>28</sup> What is more, patent litigation is notoriously expensive, prolonged, and unpredictable.<sup>29</sup> It is not too surprising, then, that patent declaratory judgment actions are relatively rare.<sup>30</sup>

Scholars have discussed this absence of incentives for authoritative testing of patent validity and have suggested various solutions.<sup>31</sup> While

secure decisions, rulings and public opinion on the broad principle instead of being devoted to merely miscellaneous cases.” (second alteration in original) (footnotes and internal quotation marks omitted)).

<sup>22</sup> *Tinker v. Des Moines Indep. Cmty. Sch. Dist.*, 393 U.S. 503 (1969).

<sup>23</sup> *Lawrence v. Texas*, 539 U.S. 558 (2003).

<sup>24</sup> See generally Michael L. Rustad, *Torts as Public Wrongs*, 38 PEPP. L. REV. 433, 529 (2011).

<sup>25</sup> See 150 CONG. REC. S7566 (daily ed. July 6, 2004) (“[C]lass actions provide an important ‘private attorney general’ supplement to our efforts to obtain redress for violations of state consumer protection, civil rights, labor, public health and environmental laws.” (statement of thirteen states’ Attorneys General)).

<sup>26</sup> See, e.g., *In re Merrill Lynch & Co. Research Reports Sec. Litig.*, 246 F.R.D. 156, 175 (S.D.N.Y. 2007) (“The concept of a private attorney acting as a private attorney general is vital to the continued enforcement and effectiveness of the Securities Acts.”). But see Pamela S. Karlan, *Disarming the Private Attorney General*, 2003 U. ILL. L. REV. 183, 198 (2003) (arguing that recent Supreme Court decisions undercut plaintiffs’ abilities to bring private attorney general suits).

<sup>27</sup> 28 U.S.C. § 2201 (2006).

<sup>28</sup> See *infra* Part II.C (discussing the disincentives to affirmative validity challenges).

<sup>29</sup> See *infra* Part II.C (discussing the high costs of patent litigation).

<sup>30</sup> See Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 921 (2001) (stating that only about 14 percent of the patent cases filed annually were declaratory judgment actions).

<sup>31</sup> Some scholars advocate litigation-stage fee shifting. Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 795-97 (2002); Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1530-31 (2001). Others support the imposition of a bounty system and/or joint agreements among competitors of the patent owner to share the cost of a validity challenge. Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667, 704-05 (2004) [hereinafter Miller, *Building a Better Bounty*];

finding a solution to this incentive problem is a high priority, it is not the objective of this Article. This Article focuses instead on a different yet equally weighty barrier to patent validity challenges in federal court: plaintiffs' frequent inability to satisfy the threshold requirements of standing and personal jurisdiction under current Federal Circuit jurisprudence. Because scholars have paid little attention to this phenomenon, I seek to fill that space in the literature.

Despite the economic and pragmatic disincentives to affirmative patent challenges, parties still wish to pursue declaratory relief. Some of these are private parties who want to clear any doubts as to whether their products infringe a valid patent, while others decide that the potential upside of invalidating the patent is worth the risk and cost associated with litigation. More recently, we have witnessed a surge in public interest group participation in the patent system. In the past few years, organizations like the ACLU and Public Patent Foundation ("PUBPAT") have initiated large-scale litigations pursuant to the Declaratory Judgment Act challenging the validity of controversial patents relating to human genes in *Ass'n for Molecular Pathology v. PTO (Myriad)*,<sup>32</sup> and genetically modified seed in *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*<sup>33</sup> Yet, like many private plaintiffs before them, these advocacy groups have discovered that the Federal Circuit's patent declaratory judgment jurisprudence makes it very difficult, if not impossible, to challenge invalid patents.

In patent declaratory judgment actions, plaintiffs must satisfy two "jurisdictional bedrocks" in order for the case to proceed on the merits: standing and personal jurisdiction.<sup>34</sup> Article III of the Constitution provides that federal courts may only hear actual "cases" or "controversies,"<sup>35</sup> from which courts have extrapolated the standing requirement,<sup>36</sup> while the Due Process Clause serves as the basis for the personal jurisdiction doctrine.<sup>37</sup> Even though these threshold jurisdictional requirements emanate from distinct constitutional provisions, the Supreme Court has consistently held that

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Joseph Scott Miller, *Joint Defense or Research Joint Venture? Reassessing the Patent-Challenge-Bloc's Antitrust Status*, 2011 STAN. TECH. L. REV. 5, ¶ 5 [hereinafter Miller, *Joint Defense or Research Joint Venture?*]; John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305, 340-42 (2001).

<sup>32</sup> 653 F.3d 1329 (Fed. Cir. 2011), *vacated sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012); Megan M. La Belle, *Standing to Sue in the Myriad Genetics Case*, 2 CAL. L. REV. CIRCUIT 68, 86 n.121 (2011).

<sup>33</sup> 851 F. Supp. 2d 544 (S.D.N.Y. 2012) (challenging patents covering genetically modified seed). PUBPAT is a nonprofit "legal services organization whose mission is to protect freedom in the patent system." *About PUBPAT*, PUBLIC PATENT FOUNDATION, <http://www.pubpat.org/About.htm> (last visited Sept. 16, 2012).

<sup>34</sup> *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 583-84 (1999).

<sup>35</sup> U.S. CONST. art. III, § 2.

<sup>36</sup> *See, e.g., Summers v. Earth Island Inst.*, 555 U.S. 488, 492-93 (2009).

<sup>37</sup> *See, e.g., Int'l Shoe Co. v. Washington*, 326 U.S. 310, 319-20 (1945).

both ought to be assessed according to flexible, totality-of-the-circumstances standards.<sup>38</sup> Yet, in deciding questions of standing and personal jurisdiction, the Federal Circuit has trended instead toward formalistic rules and “litigant centrality,” meaning the court focuses its inquiries exclusively on the particular parties in the case.<sup>39</sup> This myopic approach to standing and personal jurisdiction, which I argue is rooted in private law theory, often leads the Federal Circuit to dismiss patent declaratory judgment actions before plaintiffs have a chance to argue the merits of the case.

This Article challenges the conventional wisdom that patent validity disputes are private law litigation and argues that they are more properly treated as public law litigation. The Article aims to show that the Federal Circuit’s erroneous view of validity challenges as private law adjudication has created a flawed doctrinal architecture for patent declaratory judgment actions that elevates the rights of private parties above those of the public. Specifically, the court’s private law approach to standing and personal jurisdiction has created significant procedural obstacles that preclude many suits from being filed in the first place and often lead to the early dismissal of those declaratory judgment actions that do get filed.

This Article proceeds in five parts. Part I explores the dichotomy between public and private law and demonstrates that patent validity challenges are better characterized as public law. Viewing patent adjudication through the lens of the public law model, Part II surveys the enforcement mechanisms available for challenging patent validity, focusing on the Declaratory Judgment Act. After sketching a brief history of the Act, this Part then explains why privately initiated litigation to challenge suspect patents is essential to a well-functioning patent system, and expounds on why our current system is deficient.<sup>40</sup>

Part III turns to the present state of Federal Circuit jurisprudence regarding patent declaratory relief and begins by discussing the court’s approach to standing. It next addresses personal jurisdiction and demonstrates that the court is using an overly formalistic framework to assess the defendant’s contacts with the forum state. With respect to both standing and personal jurisdiction, the Federal Circuit’s doctrine tends to impede rather than facilitate declaratory judgment actions, notwithstanding the Supreme Court’s clear and consistent message that these suits should be facilitated because of the social welfare benefit of invalidating bad patents.

Part IV then argues that these unsound rules on standing and personal jurisdiction flow from the Federal Circuit’s inherently inaccurate view of

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<sup>38</sup> See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980).

<sup>39</sup> See *infra* Part IV.A.2.

<sup>40</sup> See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 345-46 (1971) (discussing a line of Supreme Court cases that “eliminate[d] obstacles to suit by those disposed to challenge the validity of a patent”); *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

patent validity challenges as private, rather than public, law adjudication. This doctrine is clearly intended to help patent owners predict if, when, and where they might be sued for declaratory relief; it pays little regard to the public good.<sup>41</sup> From a normative perspective, this private law, litigant-centric approach is untenable because the primary beneficiary of the patent system is supposed to be the public, not the individual plaintiff and defendant before the court. This Part concludes by proposing that the Federal Circuit evaluate standing and personal jurisdiction from a public law perspective, which comports with the Supreme Court's mandate to consider these jurisdictional issues holistically rather than in accordance with narrowly tailored rules.

Finally, Part V urges prompt action. The Supreme Court, Congress, and the President have all acknowledged the impact poor quality patents have on society at large. The Court has held that patent validity challenges should be encouraged and facilitated to promote the public good,<sup>42</sup> and the recently enacted AIA significantly expands the opportunities for the public to participate in the patent system.<sup>43</sup> Yet, even the major reform efforts of the AIA will not provide the robust privately initiated federal court litigation that the patent system needs to eradicate bad patents. This Article concludes that, to fill that void, the Federal Circuit must shift its view and treatment of patent validity challenges to a public law paradigm, as many other stakeholders in the patent system have already done.

## I. PATENTS AND PUBLIC LAW LITIGATION

### A. *The Private-Public Law Dichotomy*

Traditionally, the role of civil litigation in the American legal system was to provide a means for resolving disputes between private parties when an out-of-court settlement could not be reached.<sup>44</sup> This classical model, now referred to as private law litigation, included breach of contract cases, tort actions, and disputes over real property. One important function of private law litigation was to redress violations of specific individuals' rights, namely the parties before the court.<sup>45</sup> Another was to clarify the law so that future private actors could predict the effect of their conduct and plan according-

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<sup>41</sup> See *infra* Part IV (discussing the flaws of the Federal Circuit's private law approach in patent declaratory judgment actions).

<sup>42</sup> See *Blonder-Tongue*, 402 U.S. at 345-46; *Lear*, 395 U.S. at 670.

<sup>43</sup> See, e.g., Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 8, 125 Stat. 284, 306 (2011).

<sup>44</sup> Chayes, *supra* note 1, at 1285.

<sup>45</sup> See *id.* (“[T]he courts could be seen as an adjunct to private ordering, whose primary function was the resolution of disputes about the fair implications of individual interactions.”).

ly.<sup>46</sup> Private law adjudication was bipolar and retrospective. It was a contest between “diametrically opposed” parties who disagreed about “an identified set of completed facts.”<sup>47</sup> Moreover, the litigation was “party-initiated” and “party-controlled.”<sup>48</sup> Judges were supposed to be passive and disengaged in order to ensure fairness and impartiality.<sup>49</sup>

The 1950s marked the beginning of a sea change in our civil adjudicatory system. Alongside traditional private law litigation, a new form of adjudication emerged—public law (or public impact) litigation.<sup>50</sup> Public law, as originally conceived, was “the body of law dealing with the relations between private individuals and the government, and with the structure and operation of the government itself.”<sup>51</sup> In that vein, early public law litigation was comprised of structural challenges to public institutions like segregated schools, overcrowded prisons, and mental health facilities.<sup>52</sup> Such efforts were spearheaded by public interest organizations like the NAACP and ACLU, and as a remedy they sought systemic, ongoing injunctive relief.

With time, though, the profile of public law adjudication expanded. Coincident with the enactment of the Civil Rights Act was the rise of private attorney general suits.<sup>53</sup> Private attorneys general are citizens who sue not only to obtain direct individual relief, but also to vindicate important public interests and deter wrongdoing.<sup>54</sup> These plaintiffs serve as class representatives, filing suits collectively that likely would not be filed individually.<sup>55</sup> In some contexts, like civil rights and antitrust, Congress has incentivized these suits by granting successful plaintiffs the chance to recover

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* at 1282.

<sup>48</sup> *Id.* at 1283.

<sup>49</sup> *Id.* at 1286; Judith Resnick, *Managerial Judges*, 96 HARV. L. REV. 374, 376 (1982).

<sup>50</sup> See generally Linda Sandstrom Simard, *An Empirical Study of Amici Curiae in Federal Court: A Fine Balance of Access, Efficiency, and Adversarialism*, 27 REV. LITIG. 669, 679 (2008).

<sup>51</sup> BLACK’S LAW DICTIONARY 1350-51 (9th ed. 2009).

<sup>52</sup> Chayes, *supra* note 1, at 1284; Marcus, *supra* note 1, at 342; see also Owen M. Fiss, *Foreword: The Forms of Justice*, 93 HARV. L. REV. 1, 2 (1979) (“Structural reform is premised on the notion that the quality of our social life is affected in important ways by the operation of large-scale organizations, not just by individuals acting either beyond or within these organizations.”).

<sup>53</sup> See, e.g., *Newman v. Piggie Park Enters.*, 390 U.S. 400, 402 (1968) (per curiam) (stating that when a plaintiff brings a civil rights action he acts as a “‘private attorney general,’ vindicating a policy that Congress considered of the highest priority”); see also Bryant Garth, Ilene H. Nagel & S. Jay Plager, *The Institution of the Private Attorney General: Perspectives from an Empirical Study of Class Action Litigation*, 61 S. CAL. L. REV. 353, 353-54 (1988) (“Whether the private attorney general is heralded as the ‘Lone Ranger’ or a ‘bounty hunter,’ both roles equally comport with cherished images of Americana.”).

<sup>54</sup> Michael Waterstone, *A New Vision of Public Enforcement*, 92 MINN. L. REV. 434, 441-42 (2007).

<sup>55</sup> Coffee, *supra* note 20, at 216.



large damage awards and reasonable attorney's fees.<sup>56</sup> Private attorney general suits are often directed at nongovernmental entities and policies. Yet, these private party disputes are akin to structural reform litigation against the government because they both "implicate serious political and sociological issues . . . [a]nd . . . affect larger communities than those encompassed by the litigants before the court."<sup>57</sup>

Whether instigated by private citizens or public interest organizations, public law adjudication is marked by certain characteristics. In his seminal article, Professor Chayes explains that the subject matter of public law litigation is not a dispute between private parties, but a complaint about the policies or conduct of a governmental or nongovernmental entity.<sup>58</sup> Complex party structures and requests for prospective remedial relief further characterize these types of suits.<sup>59</sup> And unlike private law adjudication where only the parties feel the immediate impact of the suit, public law litigation instantly affects individuals not before the court.<sup>60</sup> Finally, public law adjudication is typified by active judges who decide substantive matters and are responsible for the overall management of the suit.<sup>61</sup> This active judicial role is a stark contrast from the "passive umpireship" practiced by judges in traditional private law litigation.<sup>62</sup>

Today, public law adjudication runs the gamut from structural challenges concerning overcrowded prisons in California,<sup>63</sup> to toxic tort litigation against private companies.<sup>64</sup> In between are suits challenging employment discrimination, securities fraud, antitrust violations, and environmental harms. While different in many respects, all of these adjudicatory efforts implicate important public interests, have far-reaching effects beyond the parties, and frequently involve forward-looking relief. Since patent validity challenges share many of these same characteristics, they too fit within the public law litigation paradigm.

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<sup>56</sup> *E.g.*, 15 U.S.C. § 15(a) (2006) ("[A]ny person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor . . . and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."); 42 U.S.C. § 2000e-5(k) (2006) (civil rights act requiring losing party to pay reasonable plaintiff's attorney's fees).

<sup>57</sup> JACK B. WEINSTEIN, *INDIVIDUAL JUSTICE IN MASS TORT LITIGATION: THE EFFECT OF CLASS ACTIONS, CONSOLIDATIONS, AND OTHER MULTIPARTY DEVICES* 41 (1995).

<sup>58</sup> Abram Chayes, *Foreword: Public Law Litigation and the Burger Court*, 96 HARV. L. REV. 4, 5 (1982).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*; Chayes, *supra* note 1, at 1287.

<sup>61</sup> Chayes, *supra* note 58, at 5.

<sup>62</sup> *Id.* at 4.

<sup>63</sup> *Brown v. Plata*, 131 S. Ct. 1910, 1923 (2011) (mandating that California release or relocate tens of thousands of prisoners within two years because its overcrowded, unsanitary prisons violated the Eighth Amendment).

<sup>64</sup> See generally David Rosenberg, *The Causal Connection in Mass Exposure Cases: A "Public Law" Vision of the Tort System*, 97 HARV. L. REV. 849 (1984).

## B. *Patent Validity Challenges as Public Law Adjudication*

The patent system in the United States, much like other intellectual property regimes, aims to balance certain public and private rights. An inventor who introduces a new technology is granted a limited exclusive right to use that invention.<sup>65</sup> In exchange, society enjoys the benefit of a new, useful, and fully disclosed technology that will be donated to the public once the patent expires.<sup>66</sup> A patent, therefore, represents a compromise of the public's right to access new technologies and the private rights of innovators.

Yet, any benefit that patents confer on individuals is secondary to the public's interest in our patent system. The primary normative goal of the patent system, as contemplated by the Constitution itself, is to benefit the public by "promot[ing] the Progress of Science and useful Arts."<sup>67</sup> Courts have held that patents are granted to encourage useful, socially valuable innovation, not to reward the innovators.<sup>68</sup> "The patent law is directed to the public purposes of fostering technological progress, investment in research and development, capital formation, entrepreneurship, innovation, national strength, and international competitiveness."<sup>69</sup> Simply put, patents are a means to an end.<sup>70</sup> And it is that end—the promotion of innovation for the public good—that is paramount.<sup>71</sup>

Historically, though, patent litigation has been regarded as private law litigation. Patent litigation has been compared to property, contract, and tort litigation, all of which fall within the realm of private law litigation. The Supreme Court, for example, has held that "[a] patent for an invention is as

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<sup>65</sup> U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their respective . . . Discoveries").

<sup>66</sup> ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 29 (5th ed. 2010).

<sup>67</sup> U.S. CONST. art. I, § 8, cl. 8; *see also* *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626 (2008) ("[T]he primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and useful arts.'" (quoting *Motion Picture Patents Co. v. Universal Film Mfg.*, 243 U.S. 502, 511 (1917))).

<sup>68</sup> *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942) ("[T]he promotion of the progress of science and the useful arts is the 'main object'; reward of inventors is secondary and merely a means to that end."); *cf.* *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) ("The primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and useful Arts.'" (alteration in original)).

<sup>69</sup> *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1536 (Fed. Cir. 1995) (Newman, J., concurring), *rev'd*, 520 U.S. 17 (1997).

<sup>70</sup> *Masonite*, 316 U.S. at 278.

<sup>71</sup> *Motion Picture Patents*, 243 U.S. at 511; *see also* *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) ("It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.").

much property as a patent for land.<sup>72</sup> Other courts have treated patents as contracts between the inventor and the government.<sup>73</sup> The Federal Circuit, meanwhile, approaches patents from a tort law perspective.<sup>74</sup> Scholars have criticized these private law analogies for different reasons.<sup>75</sup> Yet, in at least one way, these private law analogies are similarly flawed—they all focus exclusively on patent infringement. The fallacy of drawing analogies based on infringement is that it does not reflect the realities of modern patent litigation.

Patent infringement claims arguably map onto a private law model since they consist of one private party's alleged violation of another private party's rights.<sup>76</sup> Even that analogy is not perfect, however. As Professor Ted Sichelman has argued:

Unlike typical private law rights, patent law—from its origin in this country—has intentionally used its rights and remedies as a mechanism to encourage optimal *social* levels of innovation. In a sense, the patent holder is merely a private attorney general, paid via the enforcement of his right as a reward for benefitting the public.<sup>77</sup>

Patent infringement claims, in other words, exhibit attributes of both private and public law and cannot easily be categorized as one or the other.

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<sup>72</sup> Consol. Fruit-Jar Co. v. Wright, 94 U.S. 92, 96 (1876); see also Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 J. LEGAL STUD. 247, 268 (1994) (“One can read nineteenth-century patent cases . . . with the sense that the courts were dealing with a subject akin to private law, recognizing perhaps that patents were property rights.”); Frank H. Easterbrook, *Intellectual Property Is Still Property*, 13 HARV. J.L. & PUB. POL’Y 108, 109 (1990) (“Patents give a right to exclude, just as the law of trespass does with real property.”).

<sup>73</sup> See *Fried. Krupp Aktien-Gesellschaft v. Midvale Steel Co.*, 191 F. 588, 594 (3d Cir. 1911) (“[A]n American patent is a written contract between an inventor and the government.”); *Davis Airfoils, Inc. v. United States*, 124 F. Supp. 350, 352 (Ct. Cl. 1954) (“A patent is a contract between the inventor and the public, the terms of which are formulated by the United States Patent Office.”).

<sup>74</sup> See *In re Cambridge Biotech Corp.*, 186 F.3d 1356, 1371 (Fed. Cir. 1999) (“Patent infringement is properly classified as a tort, albeit one created by federal statute.”); *Young Eng’rs, Inc. v. ITC*, 721 F.2d 1305, 1316-17 (Fed. Cir. 1983) (treating patent infringement as a continuing tort).

<sup>75</sup> See Shubha Ghosh, *Patents and the Regulatory State: Rethinking the Patent Bargain Metaphor After Eldred*, 19 BERKELEY TECH. L.J. 1315, 1318-19 (2004) (criticizing social contract theory as applied to patent law); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1032 (2005) (arguing against the notion that intellectual property is analogous to real property); Ted Sichelman, *Purging Patent Law of “Private Law” Remedies* 8 (San Diego Legal Studies Paper No. 11-077, 2011), available at <http://ssrn.com/abstract=1932834> (questioning the use of tort law concepts in patent law). *But see* Orin S. Kerr, *Rethinking Patent Law in the Administrative State*, 42 WM. & MARY L. REV. 127, 130 (2000) (advancing a private law theory of the patent system).

<sup>76</sup> *In re Qimonda AG*, 425 B.R. 256, 263 (Bankr. E.D. Va. 2010) (stating that patent infringement actions were nothing more than private claims to protect private rights), *rev’d sub nom.* *ITC v. Jaffe*, 433 B.R. 538 (E.D. Va. 2010); David M. Schlitz & Richard J. McGrath, *Patent Infringement Claims Against the United States Government*, 9 FED. CIR. B.J. 351, 351-53 (2000). *But see infra* Part IV (discussing public law attributes of infringement claims).

<sup>77</sup> Sichelman, *supra* note 75, at 11 (footnote omitted).

But infringement tells only half the story of modern patent litigation. Today, most patent suits are comprised not only of infringement allegations, but of validity claims as well. In most cases, the patent owner sues for infringement, and the defendant responds with counterclaims asking the court to declare the patent invalid.<sup>78</sup> The less common scenario—but the one that is the focus of this Article—involves an affirmative patent validity challenge, meaning the declaratory judgment claims are asserted against the patent owner first. However the litigation is structured, the upshot is that issues of patent validity are of central importance to modern patent adjudication. In fact, in cases like *Myriad* and *Monsanto*, patent validity is the *only* issue in dispute.<sup>79</sup>

Unlike patent infringement, patent validity disputes bear little resemblance to private law litigation. The issue whether a patent is valid has nothing to do with private rights. Instead, the question in such suits is: Did the PTO, a governmental agency, make a mistake when it issued the patent?<sup>80</sup> The answer to this question does not depend on the conduct of the patent owner or the alleged infringer, but rather is an objective inquiry into whether the patentability requirements were actually satisfied as the PTO concluded.<sup>81</sup> And the answer to this question—whether the invention is patentable—lies at the heart of our patent system.<sup>82</sup> Valid patents give the public something it did not have before, namely a new and useful technology.<sup>83</sup> With an invalid patent, on the other hand, the inventor gains exclusivity while society gets nothing in return because the invention was already part of the public domain.<sup>84</sup> So invalid patents violate the quid pro quo patentability principle set forth in the Constitution and threaten our patent system at its core.<sup>85</sup> In short, the subject matter of patent validity disputes, in contradistinction to patent infringement, is distinctly public in nature.

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<sup>78</sup> See generally Dolak, *supra* note 8, at 410.

<sup>79</sup> *Ass'n for Molecular Pathology v. PTO*, 653 F.3d 1329, 1344 (Fed. Cir. 2011), *vacated sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012).

<sup>80</sup> See *infra* Part II (setting out requirements for patentability).

<sup>81</sup> Cf. MERGES, MENELL & LEMLEY, *supra* note 66, at 130 (describing five requirements of patentability).

<sup>82</sup> *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 264 (1979) (noting the “strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain”).

<sup>83</sup> *Schenck v. Nortron Corp.*, 713 F.2d 782, 786 n.3 (Fed. Cir. 1983).

<sup>84</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (explaining that inventions covered by invalid patents “are in reality a part of the public domain”); Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 U. ILL. L. REV. 1119, 1162 (2000) (“[A]n author or inventor may not be given something for nothing; the author or the inventor must give the public something it did not have before to earn a grant of exclusive rights from Congress.”).

<sup>85</sup> Cf. *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 23 (1829) (“If the public were already in possession and common use of an invention fairly and without fraud, there might be sound reason for presuming, that the legislature did not intend to grant an exclusive right to any one to monopolize that which

Besides subject matter, patent validity disputes exhibit many other “public law” characteristics. For starters, patent validity disputes are remedially prospective, unlike private law adjudication.<sup>86</sup> Looking at *Myriad* as an example, the ACLU does not seek monetary damages on behalf of its clients to compensate for past injuries, but instead requests prospective relief in the form of a declaration of patent invalidity.<sup>87</sup> To be sure, this inability to recover damages is one reason why patent validity challenges are so rare.<sup>88</sup>

Patent validity disputes, moreover, are multipartied and far-reaching. Some cases, like *Myriad*, involve complex party structures. There are twenty named plaintiffs in *Myriad*—including various medical organizations, genetics researchers, clinicians, and cancer patients—and several defendants, including the patent owner and the PTO.<sup>89</sup> Yet, even validity challenges involving only a single plaintiff and a single defendant are not bipolar. In sharp contrast to private law litigation where the court’s intervention is confined to the parties before it,<sup>90</sup> the impact of patent validity disputes is felt far beyond the four walls of the courtroom. This is because of the Supreme Court’s decision in *Blonder-Tongue Laboratories v. University of Illinois Foundation*.<sup>91</sup>

The question in *Blonder-Tongue* was whether a declaration of patent invalidity in one lawsuit should preclude a patent owner from relitigating the issue in a subsequent proceeding.<sup>92</sup> The Court held that declarations of invalidity should be granted preclusive effect.<sup>93</sup> The Court hoped that adopting this standard would “encourage [the] authoritative testing of patent validity” and protect the public’s interest in ““seeing that patent monopolies . . . are kept within their legitimate scope.””<sup>94</sup> In the wake of *Blonder-Tongue*, the result of a successful validity challenge is that the previously protected intellectual property enters the public domain and creates a public good.<sup>95</sup> Competitors of the patent owner and consumers of the patented

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was already common. There would be no quid pro quo—no price for the exclusive right or monopoly conferred upon the inventor for fourteen years.”).

<sup>86</sup> See Chayes, *supra* note 1, at 1282.

<sup>87</sup> See *infra* Part III.A.4 (discussing the *Myriad* case).

<sup>88</sup> See *infra* Part II.C (addressing the various disincentives for patent validity challenges).

<sup>89</sup> Complaint ¶¶ 7-26, Ass’n for Molecular Pathology v. PTO, 702 F. Supp. 2d 181 (S.D.N.Y. 2009) (No. 1:09-cv-04515-RWS), *aff’d in part, rev’d in part*, 653 F.3d 1329 (Fed. Cir. 2011), *vacated sub nom.* Ass’n for Molecular Pathology v. Myriad Genetics, Inc., 132 S. Ct. 1794 (2012).

<sup>90</sup> Chayes, *supra* note 1, at 1282-83.

<sup>91</sup> 402 U.S. 313 (1971).

<sup>92</sup> *Id.* at 317.

<sup>93</sup> *Id.* at 349-50.

<sup>94</sup> *Id.* at 343-44 (quoting *Precision Instrument Mfg. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)).

<sup>95</sup> See *id.* at 349-50 (holding that once a patent is invalidated, nonmutual collateral estoppel prevents the patent owner from ever asserting it again); Farrell & Merges, *supra* note 16, at 952.

product—parties who were not participants in the litigation—benefit just like the party who successfully challenged the patent.<sup>96</sup> Thus, patent validity challenges not only implicate important public interests, but they also have the potential to affect many parties not before the court.

Finally, judges often play an active role in modern patent litigation. In cases where only patent validity (and not infringement) is in dispute, the claim is considered equitable and the court itself will decide whether the patent is valid.<sup>97</sup> And even when a jury decides disputed factual questions, the ultimate conclusion of patent validity remains a legal one reserved for the court.<sup>98</sup> In addition to deciding substantive issues, judges today actively manage patent cases rather than passively umpire them.<sup>99</sup> Many federal courts have adopted specialized local rules that “provide a standard structure for patent cases that . . . permit greater predictability and planning for the Court and the litigants.”<sup>100</sup> These rules govern, among other things, the timing for discovery requests, the process for infringement and invalidity contentions, and motions to stay pending reexamination of the patents in suit.<sup>101</sup> Some of these courts take it one step further by actively encouraging the filing of patent cases,<sup>102</sup> acting as willing arbiters of discovery disputes,<sup>103</sup> and playing an otherwise integral role in the resolution of patent cases.<sup>104</sup>

All in all, patent validity disputes—much like securities, antitrust, environmental, and mass tort cases—fit within Professor Chayes’s paradigm of public law litigation.<sup>105</sup> In order for a public law regime to succeed, how-

<sup>96</sup> See *infra* Part II.B (discussing how successful validity challenges create public goods from which all of society benefits).

<sup>97</sup> See *In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290-91 (Fed. Cir. 2005); *MedImmune, Inc. v. Genentech, Inc.*, 535 F. Supp. 2d 1020, 1032 (C.D. Cal. 2008).

<sup>98</sup> See, e.g., *Hewlett-Packard Co. v. Mustek Sys., Inc.*, 340 F.3d 1314, 1325 (Fed. Cir. 2003) (“[T]he ultimate conclusion of obviousness is a question of law for the court to decide.”).

<sup>99</sup> Chayes, *supra* note 1, at 1284.

<sup>100</sup> N.D. ILL. PATENT L.R. PREAMBLE, available at [http://www.ilnd.uscourts.gov/home/\\_assets/\\_documents/Rules/localpatentrules-preamble.pdf](http://www.ilnd.uscourts.gov/home/_assets/_documents/Rules/localpatentrules-preamble.pdf) (last visited Sept. 26, 2012).

<sup>101</sup> *Id.*

<sup>102</sup> Xuan-Thao Nguyen, *Justice Scalia’s “Renegade Jurisdiction”: Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 136 (2008) (explaining that judges in the U.S. District Court for the Eastern District of Texas “enjoy presiding over patent cases and encourage patent cases to be filed in their divisions”).

<sup>103</sup> *Id.* at 137 (stating that the U.S. District Court for the Eastern District of Texas “provide[s] a hotline number for lawyers to contact a judge who is on call during business hours to rule on discovery disputes”).

<sup>104</sup> T.S. Ellis, III, *Judicial Management of Patent Litigation in the United States: Expedited Procedures and Their Effects*, 9 FED. CIR. B.J. 541, 542-43 (2000) (“First, and absolutely vital, is the early setting of a fixed and immutable trial date.”).

<sup>105</sup> See Peter A. Appel, *Intervention in Public Law Litigation: The Environmental Paradigm*, 78 WASH. U. L.Q. 215, 238 n.128 (2000) (arguing that environmental cases fit within Chayes’s paradigm); Jack B. Weinstein, *Ethical Dilemmas in Mass Tort Litigation*, 88 NW. U. L. REV. 469, 472 (1994)

ever, there must be an array of enforcement mechanisms in place. The next Part of this Article surveys the enforcement mechanisms available for challenging invalid patents and demonstrates why our current system is deficient.

## II. PATENT VALIDITY CHALLENGES

The normative goal of the patent system is to promote innovation,<sup>106</sup> and Congress has established conditions of patentability in furtherance of this goal.<sup>107</sup> Specifically, Congress has determined that an invention is patentable if it is: (i) appropriate subject matter; (ii) useful; (iii) novel; (iv) nonobvious; and (v) sufficiently disclosed and described so that others will be able to make and use the invention.<sup>108</sup> It is then up to the PTO to examine patent applications to ensure that inventions satisfy each of these requirements.<sup>109</sup> But what happens when patent examiners make mistakes and issue bad patents?

Bad patents create a myriad of problems.<sup>110</sup> First and foremost, bad patents undermine the patent quid pro quo and jeopardize the innovation objective of the patent system.<sup>111</sup> Moreover, when bad patents are asserted in litigation, the target company often has to divert funds from its ordinary business or from research and development, which may lead to increased consumer prices and decreased consumer choices.<sup>112</sup> Even if unenforced, bad patents may have a chilling effect on the marketplace by dissuading or delaying competitors' entry into the market.<sup>113</sup> Finally, the existence of bad

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(“Mass tort cases are akin to public litigations involving court-ordered restructuring of institutions to protect constitutional rights.”).

<sup>106</sup> U.S. CONST. art I, § 8, cl. 8.

<sup>107</sup> 35 U.S.C. §§ 101-03, 112 (2006).

<sup>108</sup> MERGES, MENELL & LEMLEY, *supra* note 66, at 29.

<sup>109</sup> 35 U.S.C. §§ 101-03, 112.

<sup>110</sup> Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 49-53 (2010); Mark Lemley, Doug Lichtman & Bhaven Sampat, *What to Do About Bad Patents?*, REGULATION, Winter 2005, at 10, 12.

<sup>111</sup> *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 23 (1829) (“If the public were already in possession and common use of an invention fairly and without fraud, there might be sound reason for presuming, that the legislature did not intend to grant an exclusive right to any one to monopolize that which was already common. There would be no quid pro quo—no price for the exclusive right or monopoly conferred upon the inventor for fourteen years.”).

<sup>112</sup> See FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 5-6 (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>; Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 592 (1999) (discussing the social costs of invalid patents).

<sup>113</sup> See generally Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101 (2006).

patents calls into question the legitimacy of *all* patents, including valid, well-deserved patents.<sup>114</sup>

So, when the PTO makes mistakes and grants poor quality patents, there must be a way to remedy those errors.<sup>115</sup> Under our current system, federal court adjudication is the primary gatekeeper of patent quality.<sup>116</sup> This Article raises questions concerning the feasibility of validity challenges in federal court, particularly those affirmative suits brought pursuant to the Declaratory Judgment Act. Yet, before turning this discussion to the courts, this Part briefly outlines alternative mechanisms for policing bad patents at the PTO.

#### A. *Challenging Patent Validity at the PTO*

For most of the twentieth century, the PTO played a limited role vis-à-vis validity determinations: the agency reviewed patents *ex ante* to ensure compliance with the patentability criteria established by Congress. Once the PTO issued the patent, the agency's job was done and any disputes regarding validity were to be resolved in federal court.<sup>117</sup> In the early 1980s, however, this began to change as Congress incrementally expanded the PTO's jurisdiction over various proceedings for challenging patents.<sup>118</sup>

The first of these administrative vehicles was *ex parte* reexamination, which permitted either the patent owner or a third party to ask the PTO to take a second look at an already-issued patent.<sup>119</sup> Because Congress intended *ex parte* reexamination to provide a quick and inexpensive way to challenge patent validity, the scope of the proceedings was quite narrow.<sup>120</sup> Most significantly, a third party who requested reexamination was not per-

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<sup>114</sup> Shubha Ghosh & Jay Kesan, *What do Patents Purchase? In Search of Optimal Ignorance in the Patent Office*, 40 HOUS. L. REV. 1219, 1228 (2004) (acknowledging “the diminution in public confidence about the integrity of an administrative system that issues bad patents”).

<sup>115</sup> See J. Maria Glover, *The Structural Role of Private Enforcement Mechanisms in Public Law*, 53 WM. & MARY L. REV. 1137, 1198-1203 (2012) (arguing that *ex post* private enforcement is sometimes necessary to fill *ex ante* regulatory gaps).

<sup>116</sup> Farrell & Merges, *supra* note 16, at 946-47, 960, 964 (acknowledging that litigation is the primary mechanism for eradicating bad patents and proposing new administrative review procedures to assist in the effort); Lemley, *supra* note 31, at 1510-11 (“[S]ociety ought to resign itself to the fact that bad patents will issue, and attempt to deal with the problem *ex post*, if the patent is asserted in litigation.”).

<sup>117</sup> During this time, patentees could file an application for reissue of a patent to correct at least one error in the patent. 35 U.S.C. § 251 (2006). So in those limited circumstances, the PTO would participate in a post-grant review of the patent.

<sup>118</sup> U.S. PATENT & TRADEMARK OFFICE, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION 1-2 (2004) (hereinafter “*INTER PARTES* REPORT”), available at <http://www.uspto.gov/web/offices/dcom/olia/reports/reexamreport.pdf>.

<sup>119</sup> Act of Dec. 12, 1980, Pub. L. 96-517, ch. 30, § 302, 94 Stat. 3015, 3015.

<sup>120</sup> *INTER PARTES* REPORT, *supra* note 118, at 1-2.



mitted to participate in the proceeding.<sup>121</sup> Ex parte reexamination, moreover, was limited to a few validity defenses based only on certain types of prior art.<sup>122</sup> As a result of these restrictions, third parties rarely availed themselves of ex parte reexamination.<sup>123</sup>

Over the next two decades, the federal judiciary's patent docket steadily grew and the costs of litigation continued to rise. Congress again attempted to alleviate this problem by creating administrative avenues for patent validity challenges.<sup>124</sup> Congress enacted the American Inventors Protection Act ("AIPA") in 1999, and created a new post-grant review proceeding as part of that legislation.<sup>125</sup> This proceeding, designated as inter partes reexamination,<sup>126</sup> allowed for greater participation by third-party patent challengers. For example, third-party challengers could comment on the patent owner's responses to PTO office actions and could appeal the PTO's ultimate validity decision to the Federal Circuit.<sup>127</sup> Yet, in spite of these additional safeguards, third parties' reliance on inter partes reexamination remained sporadic because of other shortcomings in the proceedings. Those shortcomings included the lack of provisions for discovery or cross-examination since the PTO's examining corps, not administrative judges, conducted the reexamination; the inability to challenge patents issued before 1999; the narrow scope of validity defenses that could be raised; and, perhaps most importantly, the preclusive effect of the reexamination determination in subsequent patent litigation.<sup>128</sup>

In more recent years, the use of inter partes reexamination, or reexam, has picked up quite a bit, with more than 900 of these proceedings initiated since 2009.<sup>129</sup> While inter partes reexam costs substantially less than litigation, the process is extremely slow, taking more than three years to complete.<sup>130</sup> Thus, Congress continued to believe that further change was needed. And so in fall 2011, after years of failed legislative efforts to reform the patent system, Congress passed the America Invents Act, which President

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<sup>121</sup> *Id.* at 2.

<sup>122</sup> *Id.* at 3.

<sup>123</sup> *Id.* at 3-4.

<sup>124</sup> See American Inventors Protection Act of 1999, Pub. L. No. 106-113, tit. IV, 113 Stat. 1501A-552.

<sup>125</sup> *Id.* sec. 4601.

<sup>126</sup> *Id.*

<sup>127</sup> Although Congress did not provide the right to appeal to the Federal Circuit in the initial legislation, it amended the AIPA in 2002 to provide this and other rights in hopes of promoting greater use of the inter partes reexamination proceeding. See *INTER PARTES REPORT*, *supra* note 118, at 2-3.

<sup>128</sup> *Id.* at 6-8.

<sup>129</sup> U.S. PATENT & TRADEMARK OFFICE, *INTER PARTES REEXAMINATION FILING DATA 1* (2011), available at [http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_September\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf).

<sup>130</sup> Jason Rantanen, Lee Petherbridge & Jay Kesan, Debate, *America Invents, More or Less?*, 160 U. PA. L. REV. PENNUMBRA 229, 248-49 (2012).

Obama signed into law on September 16, 2011.<sup>131</sup> The AIA addresses wide-ranging subject matter, from a new first-to-file system to specialized joinder rules for patent infringement litigation. But a primary feature of the reformed system is an enhanced post-grant review proceeding for challenging patent validity.<sup>132</sup>

This new post-grant review proceeding, which will be effective beginning in September 2012, differs from its predecessors in many respects. One major distinction is that a panel of PTO judges, rather than the examining corps, will conduct the initial review of the patent.<sup>133</sup> There will also be a broader range of defenses available to a third-party challenger in post-grant review than in *inter partes* reexam.<sup>134</sup> A third party, for instance, will be able to contest a patent for lack of adequate written description or improper subject matter, and may raise prior art other than patents and printed publications in challenging the patent on anticipation or obviousness grounds.<sup>135</sup> Moreover, the parties involved in post-grant review will be afforded certain procedural protections, including the right to conduct discovery and to request an oral hearing, which was not a feature of reexamination.<sup>136</sup> Finally, if either party is dissatisfied with the PTO's post-grant review decision, a direct appeal to the Federal Circuit may be taken.<sup>137</sup>

Only time will tell whether these new administrative procedures will achieve their intended purpose—to provide third parties with a transparent, timely, and cost-effective alternative to litigation for challenging patents.<sup>138</sup> What is sure, though, is that post-grant review will not wholly supplant validity contests in federal court because the petition must be filed within nine months of the patent grant.<sup>139</sup> That means that a significant body of

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<sup>131</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>132</sup> *Id.* sec. 6, § 321, 125 Stat. at 305-06. Although the AIA retains *inter partes* reexamination, it has been relabeled “*inter partes* review” and modified in several respects. *Id.* sec. 6, § 311, 125 Stat. at 299. This Article focuses on post-grant review because it represents a major change to our current system and has far greater potential to significantly impact patent litigation in federal court.

<sup>133</sup> *Id.* sec. 7, § 6, 125 Stat. at 313 (establishing a Patent Trial and Appeal Board and indicating that one of its duties will be to conduct post-grant reviews).

<sup>134</sup> Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7061 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“More grounds for seeking post-grant review will be available as compared with *inter partes* review.”).

<sup>135</sup> Leahy-Smith America Invents Act, sec. 6, § 321, 125 Stat. at 306 (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).”).

<sup>136</sup> *Id.* sec. 6, § 326, 125 Stat. at 308-09; Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. at 7066-67.

<sup>137</sup> This ability to appeal the PTO's post-grant review decision in federal court potentially raises interesting questions about standing. *See infra* note 494 and accompanying text.

<sup>138</sup> Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. at 7060.

<sup>139</sup> Leahy-Smith America Invents Act, sec. 6, § 321(c), 125 Stat. at 306. Critics believe that post-grant review will have limited impact for other reasons as well. For example, some believe parties will decline to adjudicate validity at the PTO because of the preclusive effects such administrative decisions

already-issued patents is exempt from these administrative proceedings; so if those patents are to be affirmatively tested, it will have to be in federal court pursuant to the Declaratory Judgment Act.<sup>140</sup>

### B. *The Declaratory Judgment Act*

The Declaratory Judgment Act, enacted in 1934, provides that “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.”<sup>141</sup> The Act further explains that “[a]ny such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.”<sup>142</sup>

Congress actively considered legislation for fifteen years before the Declaratory Judgment Act passed, so the legislative history is quite complicated.<sup>143</sup> Some things are relatively clear, however. For one, Congress believed that the declaratory judgment procedure would provide a “valuable and effective aid in the administration of justice.”<sup>144</sup> Moreover, the Declaratory Judgment Act was supposed to allow for the resolution of genuine disputes without the need for a formal violation of rights.<sup>145</sup> The idea was to allow for anticipatory, or preventive, adjudication.<sup>146</sup> Permitting claims be-

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will have in subsequent litigation. *See, e.g.*, Jonathan Masur, *Patent Inflation*, 121 *YALE L.J.* 470, 481 n.49 (2011). Others claim that the nine-month window is too short because parties often do not learn of adverse patents until they are sued in federal court many years after the patent was issued. *See, e.g.*, Michael A. Carrier, *Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act*, 45 *U.C. DAVIS L. REV.* 103, 122-24 (2011).

<sup>140</sup> It is true that these already-issued patents could be challenged under the AIA’s inter partes review proceeding. Leahy-Smith America Invents Act, sec. 6, 125 Stat. at 299. However, because of the inherent limitations of inter partes review—such as the inability to raise certain validity defenses—parties will likely continue to turn to the courts for relief.

<sup>141</sup> 28 U.S.C. § 2201 (2006).

<sup>142</sup> *Id.*

<sup>143</sup> *See* Donald L. Doernberg & Michael B. Mushlin, *The Trojan Horse: How the Declaratory Judgment Act Created a Cause of Action and Expanded Federal Jurisdiction While the Supreme Court Wasn’t Looking*, 36 *UCLA L. REV.* 529, 550-51 (1989).

<sup>144</sup> S. REP. NO. 73-1005, at 1 (1934).

<sup>145</sup> *Id.* (stating that the Declaratory Judgment Act “enables parties in disputes over their rights over a contract, deed, lease, will, or any other written instrument to sue for a declaration of rights, without breach of the contract, etc., citing as defendants those who oppose their claims of right”).

<sup>146</sup> *See* Samuel L. Bray, *Preventive Adjudication*, 77 *U. CHI. L. REV.* 1275, 1276 (2010) (“Preventive adjudication is intuitively appealing—it helps people avoid harm and provides clarity in the law.”); William M. Landes & Richard A. Posner, *The Economics of Anticipatory Adjudication*, 23 *J. LEGAL STUD.* 683, 684 (1994) (“Declaratory judgments often resolve questions involving legal rights or duties before a party has taken any action that might violate anyone’s legal rights.”).

fore any injury occurred, so the theory goes, will advance the underlying objective of avoiding economic waste and promoting the public good.<sup>147</sup>

Since the Declaratory Judgment Act became law, the Supreme Court has had several occasions to interpret it. Early on the Court had to decide whether the Act created any new substantive rights, or whether it is a purely procedural device providing nothing more than a new remedy for already-existing rights.<sup>148</sup> The Court held, and has repeatedly confirmed, that “the Declaratory Judgment Act is ‘procedural only.’”<sup>149</sup> Being procedural in nature, the Act is transsubstantive and therefore available in all types of federal litigation regardless of the subject matter of the underlying claims.<sup>150</sup> Indeed, plaintiffs have invoked the Declaratory Judgment Act in a wide range of civil suits over the years, including cases involving First Amendment claims,<sup>151</sup> contractual disputes,<sup>152</sup> and antitrust matters,<sup>153</sup> to name just a few.

Yet, from the beginning, the Declaratory Judgment Act and patents have been closely linked. The Act’s legislative history indicates that Congress was particularly concerned with alleged patent infringers who faced the threat of suit, but could not ask a court to determine their rights.<sup>154</sup> Professor Edson R. Sunderland, a proponent of the Declaratory Judgment Act, testified before Congress about the plight of alleged patent infringers:

I assert that I have a right to use a certain patent. You claim that you have a patent. What am I going to do about it? There is no way I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you [the patent holder] can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good

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<sup>147</sup> S. REP. NO. 73-1005, at 2 (explaining that the declaratory judgment procedure “has been especially useful in avoiding the necessity . . . of having to act at one’s peril or to act on one’s own interpretation of his rights, or abandon one’s rights because of a fear of incurring damages”).

<sup>148</sup> See *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937).

<sup>149</sup> *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671-72 (1950) (quoting *Aetna Life*, 300 U.S. at 240); see also *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 508-09 (1959) (stating that the Declaratory Judgment Act “leav[es] substantive rights unchanged”). Scholars have challenged this conclusion, however, arguing that Congress intended the Act to create substantive rights. Doernberg & Mushlin, *supra* note 143, at 532-33.

<sup>150</sup> See H.R. REP. NO. 70-366, at 2 (1928) (explaining that the Declaratory Judgment Act can be employed, among other things, to declare the legality of marriage, construe written instruments, and determine the validity of statutes); Stephen N. Subrin, *The Limitations of Transsubstantive Procedure: An Essay on Adjusting the “One Size Fits All” Assumption*, 87 DENV. U. L. REV. 377, 378 (2010) (defining transsubstantivity as “the notion that the same procedural rules should be available for all civil law suits . . . regardless of the substantive law underlying the claims”).

<sup>151</sup> See, e.g., *Schneider v. Smith*, 390 U.S. 17 (1968).

<sup>152</sup> See, e.g., *North Side Lumber Co. v. Block*, 474 U.S. 931 (1985).

<sup>153</sup> See, e.g., *Beacon Theatres*, 359 U.S. at 500.

<sup>154</sup> See *Declaratory Judgments: Hearings on H.R. 5623 Before a Subcomm. of the S. Comm. on the Judiciary*, 70th Cong. 35 (1928).

faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.<sup>155</sup>

This scenario has been described alternatively as a patent owner's use of a "scarecrow" patent,<sup>156</sup> or "a patent owner[']s engage[ment] in a *danse macabre*, brandishing a Damoclean threat with a sheathed sword."<sup>157</sup> Either way, the patent owner's threats can have a chilling effect on competition.

Since its enactment, the Declaratory Judgment Act has played an important role in protecting alleged infringers from this *danse macabre*. An accused infringer who is threatened with a patent of questionable validity has the power to challenge the patent in federal court seeking a declaration of invalidity.<sup>158</sup> If the court agrees and declares the patent invalid, then the challenger is free to use the previously protected invention without worrying about future infringement suits.

Not only do patent declaratory judgment actions protect alleged infringers, but they also serve two vital social welfare functions that are sometimes overlooked. First, these suits assist in the effort to eradicate bad patents and ameliorate the far-reaching, negative implications bad patents have on our market system. Second, successful patent declaratory judgment actions create public goods. When a patent is declared invalid in federal court, the patent is rendered void as to the entire world and the previously protected intellectual property enters the public domain.<sup>159</sup> The result is the creation of a public good enjoyed by society as a whole, not just the party who challenged the patent.<sup>160</sup>

In this way, declaratory judgment actions are vital to a well-balanced and well-functioning patent system. Just as in other public law regimes, like securities and antitrust, privately initiated litigation serves as an essential tool in the enforcement of patent rights.<sup>161</sup> To be sure, the Supreme Court

<sup>155</sup> *Id.*

<sup>156</sup> *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 95-96 (1993).

<sup>157</sup> *Id.*; see also David I. Levine & Charles E. Belle, *Declaratory Relief After MedImmune*, 14 LEWIS & CLARK L. REV. 491, 493 (2010) ("[I]f a patent owner is aware of a potential infringer, the patent owner can wait to bring a suit of infringement while the monetary damages increase, but the (increasingly liable) potential infringer would have no recourse to rectify the situation.").

<sup>158</sup> See 28 U.S.C. § 2201 (2006); Dolak, *Power or Prudence*, *supra* note 8, at 410-11 ("[A] patent challenger may, in appropriate circumstances, institute patent litigation in federal court by filing a complaint requesting a declaration of patent invalidity, unenforceability, or noninfringement." (footnotes omitted)).

<sup>159</sup> See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971) (holding that once a patent is invalidated, nonmutual collateral estoppel prevents the patent owner from ever asserting it again); Miller, *Joint Defense or Research Joint Venture?*, *supra* note 31, ¶ 1 ("A patent challenger who defeats a patent wins spoils that it must share with the world, including all its competitors.").

<sup>160</sup> While beneficial to the public, this phenomenon actually creates disincentives for challenging invalid patents. See *infra* Part II.C (discussing the "public good problem").

<sup>161</sup> *Piper v. Chris-Craft Indus.*, 430 U.S. 1, 61 n.13 (1977) (Stevens, J., dissenting) (recognizing the important role private attorneys general play in the antitrust and securities arenas); S. REP. NO. 104-98,

has long acknowledged the value of affirmative patent validity challenges. Because invalid patents have such a weighty impact on competition, consumers, and the patent system as a whole, the ability to challenge such patents is crucial to the public interest.<sup>162</sup> Thus, the Court consistently has adopted legal standards that encourage and facilitate lawsuits brought by parties disposed to challenge the validity of a patent.<sup>163</sup>

The earliest Supreme Court case in this jurisprudential line dates back more than a century. In *Pope Manufacturing Co. v. Gormully*,<sup>164</sup> the question for the Court was whether to enforce a provision in a patent license agreement that precluded the licensee from challenging the validity of the underlying patent.<sup>165</sup> The Court denied injunctive relief and refused to enforce the no-contest clause.<sup>166</sup> The Court reasoned that “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.”<sup>167</sup>

Notwithstanding the decision in *Pope*, the common law doctrine of licensee estoppel emerged and eventually became the norm over the next fifty or so years. Pursuant to this doctrine, courts precluded licensees from bringing declaratory judgment actions to invalidate patents subject to a license agreement.<sup>168</sup> The Supreme Court reviewed this doctrine in *Lear v. Adkins*,<sup>169</sup> and ultimately decided to eliminate it.<sup>170</sup> The Court reasoned that “[l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor’s discovery,”<sup>171</sup> and so the licensee estoppel doctrine threatened the public’s interest in eliminating

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at 8 (1995) (“The SEC enforcement program and the availability of private rights of action together provide a means for defrauded investors to recover damages and a powerful deterrent against violations of the securities laws.”); Daniel A. Crane, *Optimizing Private Antitrust Enforcement*, 63 VAND. L. REV. 675, 675 (2010) (noting that “private enforcement of the antitrust laws vastly outstrips public enforcement”); James J. Park, *Rules, Principles, and the Competition to Enforce the Securities Laws*, 100 CALIF. L. REV. 115, 128 (2012) (“Private attorneys general incentivized by economic payoffs will find it profitable to investigate and enforce the securities laws, enabling public enforcers to focus their resources on other tasks.”).

<sup>162</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (explaining the importance of validity challenges in light of the “public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain”).

<sup>163</sup> See *Blonder-Tongue*, 402 U.S. at 345-46 (discussing line of Supreme Court cases that “eliminate[d] obstacles to suit by those disposed to challenge the validity of a patent”); *Lear*, 395 U.S. at 670.

<sup>164</sup> 144 U.S. 224 (1892).

<sup>165</sup> *Id.* at 233.

<sup>166</sup> *Id.* at 232, 237-38.

<sup>167</sup> *Id.* at 234.

<sup>168</sup> See *Lear, Inc. v. Adkins*, 395 U.S. 653, 664 (1969).

<sup>169</sup> 395 U.S. 653 (1969).

<sup>170</sup> *Id.* at 670-71.

<sup>171</sup> *Id.* at 670.

specious patents.<sup>172</sup> In the Court's view, the public's right to access the public domain was paramount to the patent owner's private rights established by the license agreement.

Only two years after *Lear* the Court again elevated public rights above private rights in the patent context. In *Blonder-Tongue*, the question was whether a declaration of patent invalidity in one lawsuit should preclude a patent owner from relitigating the issue in a subsequent proceeding.<sup>173</sup> As previously discussed, the Court held that declarations of invalidity should be granted preclusive effect in order to encourage the "authoritative testing of patent validity" and protect the public's interest in "seeing that patent monopolies . . . are kept within their legitimate scope."<sup>174</sup>

And finally, in *Cardinal Chemical Co. v. Morton International, Inc.*,<sup>175</sup> the Supreme Court considered the Federal Circuit's practice of routinely vacating a district court's declaration of invalidity following a determination that the patent was not infringed.<sup>176</sup> The Court rejected the Federal Circuit's practice and held that it must decide validity even when the patent is not infringed because of the social welfare objectives realized by successful validity challenges.<sup>177</sup> In reaching this conclusion, the Court reminded the Federal Circuit of "the importance to the public at large of resolving questions of patent validity,"<sup>178</sup> and suggested that "[m]erely the desire to avoid the threat of a 'scarecrow' patent . . . may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act."<sup>179</sup>

For more than a century now, the Supreme Court has sent an unequivocal and monolithic message regarding patent validity contests in federal court—these suits must be encouraged and facilitated because the cost of bad patents is so high for society. Congress and the President echoed this sentiment by enacting the AIA with its various provisions, including post-grant review procedures, aimed at enhancing the availability of validity challenges.<sup>180</sup> Unfortunately, though, significant pragmatic and legal barriers remain that make it far too difficult—and sometimes even impossible—for private parties to pursue patent declaratory judgment actions in federal court.

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<sup>172</sup> *Id.* at 670-71 ("If [licensees] are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.").

<sup>173</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 317 (1971).

<sup>174</sup> *Id.* at 343-44.

<sup>175</sup> 508 U.S. 83 (1993).

<sup>176</sup> *Id.* at 101.

<sup>177</sup> *Id.* at 102-03.

<sup>178</sup> *Id.* at 100.

<sup>179</sup> *Id.* at 96.

<sup>180</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 311, 125 Stat. 284, 299 (2011).

### C. *Challenging Patent Validity in Federal Court*

Privately initiated litigation has played a critical role in the enforcement of an array of public rights, including free speech, antitrust, securities, environmental rights, and equal protection. In some instances these suits are brought by private attorneys general, meaning plaintiffs who sue to enforce their own rights as well as to vindicate the interests of similarly situated members of the public.<sup>181</sup> At other times public interest groups like the NAACP, ACLU, and Natural Resources Defense Council have been the driving force behind large-scale public law adjudication, particularly where the remedy sought is purely equitable in nature.<sup>182</sup> Unlike these other public law regimes, however, the patent system historically has lacked robust privately initiated litigation to challenge the validity of suspect patents.<sup>183</sup> Why? Well, this phenomenon can be explained in part by a number of pragmatic disincentives facing plaintiffs considering a patent declaratory judgment action.

The first disincentive for plaintiffs wishing to challenge a patent in federal court is the remedy. A party who successfully contests a patent is awarded a declaration that the patent-in-suit is invalid.<sup>184</sup> A declaration of invalidity undoubtedly benefits the plaintiff (as well as its competitors and the public). Once the patent is invalidated, for example, competitors no longer have to pay license fees or worry about infringement.<sup>185</sup> Moreover, the previously protected invention enters the public domain, meaning competitors are free to use that technology thereby eliminating expensive research and development efforts.<sup>186</sup> Yet, plaintiffs who win validity challenges receive no additional monetary reward.<sup>187</sup> Contrast this with securities fraud and antitrust cases where the private attorney general plaintiffs (and their lawyers) often recover significant damages.<sup>188</sup> This lack of finan-

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<sup>181</sup> Coffee, *supra* note 20, at 216 (defining private attorneys general).

<sup>182</sup> See *Massachusetts v. EPA*, 549 U.S. 497 (2007); *Brown v. Bd. of Educ.*, 347 U.S. 483 (1954).

<sup>183</sup> See Miller, *Joint Defense or Research Joint Venture?*, *supra* note 31, ¶ 4 (discussing patent law “doctrine’s structural tilt against patent challenges”); Kali N. Murray, *Rules for Radicals: A Politics of Patent Law*, 14 J. INTELL. PROP. L. 63, 89 (2006) (discussing “[t]he absence of participatory mechanisms that support third party constituencies in patent law”).

<sup>184</sup> See 28 U.S.C. § 2201 (2006).

<sup>185</sup> See generally Sean M. O’Connor, *Using Stock and Stock Options to Minimize Patent Royalty Payment Risks After MedImmune v. Genentech*, 3 N.Y.U. J.L. & BUS. 381, 445 (2007) (stating that once a patent is invalidated “the licensee will not be obligated to pay anything else”).

<sup>186</sup> Miller, *Joint Defense or Research Joint Venture?*, *supra* note 31, ¶ 35.

<sup>187</sup> Miller, *Building a Better Bounty*, *supra* note 31, at 668 (“A patent challenger who succeeds in defeating a patent wins spoils that it must share with the world, including all its competitors.”).

<sup>188</sup> See, e.g., *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 723 F.2d 155, 168 (1st Cir. 1983) (recognizing the ability to recover damages in antitrust and securities cases), *aff’d in part, rev’d in part on other grounds*, 473 U.S. 614 (1985).



cial incentives is a substantial barrier for many plaintiffs who might otherwise consider pursuing declaratory relief.

A second and equally daunting impediment to validity suits is the very real risk that the patent owner will countersue for infringement. Parties who file patent declaratory judgment actions usually trigger infringement suits, especially when the plaintiff is a competitor of the defendant patent owner.<sup>189</sup> The consequences of an infringement charge can be devastating, as the remedies potentially include an injunction, treble damages, and even attorney's fees in some cases.<sup>190</sup> Thus, at the end of the day, if the validity challenge fails and the patent owner prevails on infringement, the challenger could end up much worse off than before the declaratory judgment action.

Third, the parties usually best positioned to contest bad patents—competitors—often are loath to initiate challenges because of concerns about putting their own intellectual property at risk. Competitors frequently have patents on similar technology.<sup>191</sup> So if a competitor's patent is invalidated, say for lack of patentable subject matter, that finding could cast doubt on the patentability of plaintiff's inventions in the same technological field.<sup>192</sup> This possible ripple effect acts as another deterrent to parties deciding whether to contest the validity of a competitor's patent.

A fourth disincentive to affirmative validity challenges is what scholars refer to as the “public good problem.”<sup>193</sup> When a patent is declared invalid, the previously protected intellectual property is returned to the public domain where anyone may use and enjoy it.<sup>194</sup> While this is beneficial from a social welfare perspective,<sup>195</sup> it dissuades parties from contesting patents because they bear all the costs and risks of litigation, but reap only part of the benefit.<sup>196</sup> The public good problem impedes validity challenges because it places the challenger at a competitive disadvantage compared to everyone else in that technological field.<sup>197</sup> The challenger alone pays the cost of in-

<sup>189</sup> Tom Ewing & Robin Feldman, *The Giants Among Us*, 2012 STAN. TECH. L. REV. 1, ¶¶ 104-06.

<sup>190</sup> See generally *id.* ¶ 119 (“Current doctrines on measuring damages from patent infringement can result in awards that have a devastating impact on a company.”).

<sup>191</sup> See Mark A. Lemley, *Patenting Nanotechnology*, 58 STAN. L. REV. 601, 623-24 (2005) (“If core patents are distributed roughly evenly among firms participating in a market . . . those firms will have a strong incentive to enter into cross-licenses, since their interests are symmetrical: they need their competitors' patents just as much as the competitors need their patents.”).

<sup>192</sup> Eileen M. Kane, *Splitting the Gene: DNA Patents and the Genetic Code*, 71 TENN. L. REV. 707, 726 (2004) (“[P]atent litigation . . . often involves similarly situated competitors, neither of which may be interested in raising an issue with implications beyond the patent in suit.”).

<sup>193</sup> See Carrier, *supra* note 139, at 111; Farrell & Merges, *supra* note 16, at 958; Miller, *Building a Better Bounty*, *supra* note 31, at 687.

<sup>194</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 345-46 (1971).

<sup>195</sup> See *supra* Part II.B (discussing the social welfare benefits of successful validity contests).

<sup>196</sup> Michael Risch, *Patent Challenges and Royalty Inflation*, 85 IND. L.J. 1003, 1022 (2010).

<sup>197</sup> Rochelle Cooper Dreyfuss & Lawrence S. Pope, *Dethroning Lear? Incentives to Innovate After MedImmune*, 24 BERKELEY TECH. L.J. 971, 1001 n.121 (2009).

validating the patent “while its competitors enjoy the outcome for free.”<sup>198</sup> Consequently, there is an incentive to sit back and hope that “someone else will do the hard work of putting the invention into the public domain.”<sup>199</sup>

Last, but certainly not least, the sheer cost of patent litigation creates an additional barrier for plaintiffs considering pursuing declaratory relief. Patent litigation is notoriously expensive, prolonged, and unpredictable—the proverbial “sport of kings.”<sup>200</sup> Parties contemplating patent litigation face some daunting statistics: the suit will likely cost between \$500,000 and \$4 million to adjudicate;<sup>201</sup> the average duration of patent suits in district court is about two years;<sup>202</sup> and there is a high likelihood that the case will be appealed to the Federal Circuit and ultimately reversed.<sup>203</sup> These exorbitant costs are simply too much for many parties to bear, and the end result is that bad patents regularly go unchallenged.

Scholars have considered these various disincentives for authoritative testing of patent validity and have suggested a number of solutions. Professors Jay Kesan and Mark Lemley have both proposed litigation-stage fee shifting as a way to lighten the burden of determining validity for putative infringers.<sup>204</sup> Kesan supports a one-way fee-shifting scheme that favors the party contesting validity when the patent is invalidated “based on prior art that should have been discovered by [the patentee] through a reasonable prior art search.”<sup>205</sup> Along similar lines, Lemley argues that fee shifting may be appropriate “[w]here the validity issue wasn’t close.”<sup>206</sup>

Other scholars, including Professors John Thomas and Joseph Miller, have urged the use of financial rewards to encourage third party participation in validity contests. Thomas advances a regime of cash prizes, or bounties, awarded by the PTO to private citizens who provide the agency with

<sup>198</sup> *Id.*; Thomas, *supra* note 31, at 340 (discussing the problem of competitors taking “[a] free ride off another’s opposition to the patent”).

<sup>199</sup> Dreyfuss & Pope, *supra* note 197, at 1001 n.121.

<sup>200</sup> James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 2 (2005). *But see* Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283 (2011) (arguing that certain events, such as changes in ownership of a patent, can help predict patent litigation).

<sup>201</sup> Bessen & Meurer, *supra* note 200, at 2.

<sup>202</sup> Robert Greene Sterne, Jon E. Wright & Lori A. Gordon, *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 10 SEDONA CONF. J. 115, 149 (2009); *see also* 110 CONG. REC. H1430-31 (daily ed. Feb 12, 2007) (statement of Rep. Howard Berman) (“Federal district court judges spend an inordinate amount of time on patent cases, even though patent cases only make up 1 percent of the docket.”).

<sup>203</sup> Jed Rakoff, *Lecture: Are Federal Judges Competent? Dilettantes in an Age of Economic Expertise*, 17 FORDHAM J. CORP. & FIN. L. 4, 12 (2012) (“District courts suffered a forty percent reversal rate in the Federal Circuit, compared to a less than five percent reversal rate in all other circuits.”).

<sup>204</sup> Kesan, *supra* note 31, at 795-97; Lemley, *supra* note 31, at 1530-31.

<sup>205</sup> Kesan, *supra* note 31, at 795.

<sup>206</sup> Lemley, *supra* note 31, at 1530.

information relevant to patentability.<sup>207</sup> The purpose of Professor Thomas's bounty is to "recruit[] members of the public to act as private patent examiners"<sup>208</sup> in order to prevent the PTO from issuing poor quality patents in the first place. Professor Miller's proposal, on the other hand, targets only those commercially significant patents that are the subject of litigation.<sup>209</sup> Miller's litigation-stage bounty is awarded to parties who successfully void patents "on a ground that the patentee could have prevented by diligently and candidly researching, drafting, and prosecuting its patent application."<sup>210</sup> Miller further suggests that the patentee should be the one to pay the bounty, and that the court will determine the amount of the prize based on the patentee's past profits.<sup>211</sup>

More recently, Professor Miller has taken a different tack to the disincentive problem, advocating for joint defense agreements among competitors so that they can share the cost of validity challenges.<sup>212</sup> Like his earlier proposal, Miller's latest method for encouraging validity challenges focuses on patent litigation rather than prosecution. But here the change would be doctrinal, as opposed to statutory.<sup>213</sup> Specifically, courts should overrule *Jones Knitting Corp. v. Morgan*,<sup>214</sup> a pre-*Blonder-Tongue* decision that imposes per se antitrust liability for patent joint defense agreements.<sup>215</sup> Because joint defense agreements serve the social welfare and comply with our antitrust laws, Professor Miller argues that competitors should be allowed to rely on them so that a greater number of poor quality patents will be challenged and invalidated each year.<sup>216</sup>

No doubt finding a solution to this incentive problem is a high priority. These pragmatic barriers to suit dissuade many parties from affirmatively testing patent validity, even in cases where the challenger would have a good chance of prevailing on the merits. The hope is that the AIA's post-grant review procedure will make some progress toward alleviating this problem.<sup>217</sup> It is understood, however, that privately initiated litigation in federal court will remain an essential tool in the effort to eliminate mistakenly issued patents.<sup>218</sup>

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<sup>207</sup> Thomas, *supra* note 31, at 342.

<sup>208</sup> *Id.* at 343.

<sup>209</sup> Miller, *Building a Better Bounty*, *supra* note 31, at 705.

<sup>210</sup> *Id.* at 707.

<sup>211</sup> *Id.* at 711-12.

<sup>212</sup> Miller, *Joint Defense or Research Joint Venture?*, *supra* note 31, ¶ 5.

<sup>213</sup> *Id.*

<sup>214</sup> 244 F. Supp. 235 (E.D. Pa. 1965), *aff'd in relevant part*, 361 F.2d 451 (3d Cir. 1966).

<sup>215</sup> Miller, *Joint Defense or Research Joint Venture?*, *supra* note 31, ¶ 3.

<sup>216</sup> *See id.* at 2 (stating that under our current system there are "[t]oo many settlements, and too few definitive patent challenges").

<sup>217</sup> Carrier, *supra* note 139, at 115-20 (arguing the benefits of post-grant review).

<sup>218</sup> *See supra* Part II.A (discussing limitations of post-grant review proceedings).

So, identifying some way to lessen the disincentives to validity suits currently in place is a worthy objective. Yet, that is not the pursuit of this Article. As discussed in Parts III and IV, this Article focuses instead on certain doctrinal obstacles encountered by those parties who, notwithstanding all the previously mentioned disincentives, still wish to contest a patent in federal court.

### III. DECLARATORY JUDGMENT JURISPRUDENCE: THE FEDERAL CIRCUIT'S CURRENT APPROACH TO STANDING AND PERSONAL JURISDICTION

Cognizant of the disincentives and risks associated with affirmative patent challenges, some parties nevertheless remain interested in pursuing declaratory relief.<sup>219</sup> There are different reasons why a party might choose to act as a private attorney general and affirmatively test a patent. Some private parties want to clear any doubts about whether their products infringe a valid patent.<sup>220</sup> Others may decide that the potential upside of invalidating the patent is worth the risk and cost associated with litigation because the potential payoff is substantial.<sup>221</sup> Another possibility is that a putative infringer who knows patent litigation is inevitable might file a declaratory judgment action to secure a convenient and friendly forum rather than waiting to be sued for infringement in the patent owner's court of choice.<sup>222</sup> Or sometimes, as we have witnessed recently, advocacy groups may instigate validity contests regarding patents they consider particularly harmful to the public.<sup>223</sup>

Whatever the reason, these plaintiffs have taken the first step toward vindicating a crucial interest—the elimination of potentially worthless patents.<sup>224</sup> Yet, they are often met with immediate resistance from the patent

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<sup>219</sup> See Moore, *supra* note 30, at 921 (stating that about 14 percent of the patent cases filed were declaratory judgment actions).

<sup>220</sup> Arrowhead Indus. Water, Inc. v. Ecolochem, Inc., 846 F.2d 731, 735 (Fed. Cir. 1988) (explaining that, after the Declaratory Judgment Act, competitors “were no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests”), *overruled on other grounds by* MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).

<sup>221</sup> Jay P. Kesan & Andres A. Gallo, *Why “Bad” Patents Survive in the Market and How Should We Change?—The Private and Social Costs of Patents*, 55 EMORY L.J. 61, 90 (2006) (illustrating the risks and costs of litigation).

<sup>222</sup> Chester S. Chuang, *Offensive Venue: The Curious Use of Declaratory Judgment to Forum Shop in Patent Litigation*, 80 GEO. WASH. L. REV. 1065, 1067 (2012); La Belle, *supra* note 110, at 55-56.

<sup>223</sup> See Ass'n for Molecular Pathology v. PTO, 653 F.3d 1329 (Fed. Cir. 2011), *vacated sub nom.* Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 132 S. Ct. 1794 (2012) (challenging patents relating to human genes); Organic Seed Growers & Trade Ass'n v. Monsanto Co., 851 F. Supp. 2d 544 (S.D.N.Y. 2012) (challenging patents covering genetically modified seed).

<sup>224</sup> See generally Liza Vertinsky, *Reconsidering Patent Licensing in the Aftermath of MedImmune*, 45 HOUS. L. REV. 1609, 1648 (2009).

owner. In patent declaratory judgment actions, the defendant patent owner often responds to the complaint with two concurrent motions. Defendants move to dismiss under Rule 12(b)(1) of the Federal Rules of Civil Procedure for lack of subject matter jurisdiction based on a standing theory,<sup>225</sup> as well as under Rule 12(b)(2) for lack of personal jurisdiction. If the plaintiff is unable to demonstrate either of these threshold requirements, the court will grant the motion(s) to dismiss and the merits of the underlying validity challenge will remain unresolved.<sup>226</sup>

Standing and personal jurisdiction are distinct doctrines emanating from separate constitutional provisions. Standing stems from the “case or controversy” clause of Article III,<sup>227</sup> while personal jurisdiction flows from the Due Process Clauses of the Fifth or Fourteenth Amendments.<sup>228</sup> On the other hand, these two doctrines share much in common. First, they are both “jurisdictional bedrocks” that must be satisfied for the court to proceed to the merits of the case.<sup>229</sup> Second, as noted, defendants often raise both as grounds for dismissal in response to patent declaratory judgment actions.<sup>230</sup> Third, the Federal Circuit has deemed both standing and personal jurisdiction as procedural questions that are “intimately involved in the substance of enforcement of the patent right,” meaning Federal Circuit law—as opposed to the law of the regional circuit—will govern these issues in patent cases.<sup>231</sup> And finally, as I argue in Part IV, the Federal Circuit improperly views both of these doctrines through the lens of a private law paradigm. Before turning to that argument, however, this Part discusses the current state of Federal Circuit law regarding standing and personal jurisdiction.

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<sup>225</sup> Courts refer to this requirement interchangeably as standing, the actual case or controversy requirement, or declaratory judgment jurisdiction. For simplicity’s sake, this Article consistently refers to this requirement as standing.

<sup>226</sup> See *supra* Part II (discussing the problems caused by bad patents).

<sup>227</sup> See, e.g., *Summers v. Earth Island Inst.*, 555 U.S. 488, 492-93 (2009).

<sup>228</sup> See, e.g., *Peay v. Bellsouth Med. Assistance Plan*, 205 F.3d 1206, 1210 (10th Cir. 2000) (“[I]n federal question cases, personal jurisdiction flows from the Due Process Clause of the Fifth Amendment.”).

<sup>229</sup> *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 583-84 (1999) (distinguishing between the “two jurisdictional bedrocks” of subject matter jurisdiction and personal jurisdiction, rejecting the notion “that subject-matter jurisdiction is ever and always the more ‘fundamental,’” and clarifying that “[p]ersonal jurisdiction, too, is ‘an essential element of the jurisdiction of a district . . . court,’ without which the court is ‘powerless to proceed to an adjudication.’” (second alteration in original) (quoting *Emp’rs Reinsurance Corp. v. Bryant*, 299 U.S. 374, 382 (1937))).

<sup>230</sup> See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 122 (2007); *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008).

<sup>231</sup> *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1272 (Fed. Cir. 2001).

## A. *Standing to Sue in Patent Declaratory Judgment Actions*

### 1. The Evolution of Standing Doctrine

Article III, Section 2 of the U.S. Constitution limits the judicial power of the United States to “cases” and “controversies.”<sup>232</sup> Courts have held that various justiciability doctrines derive from this provision, including the requirement that plaintiffs have standing to sue in federal court.<sup>233</sup> Since Article III precludes advisory opinions, the primary function of the standing doctrine is to ensure that federal courts resolve only genuine controversies between adverse parties.<sup>234</sup>

Standing has evolved over time into a complicated and somewhat erratic doctrine. In the 1920s and 1930s, the Supreme Court relied on standing to protect progressive legislation from judicial attack.<sup>235</sup> The Court held that plaintiffs in these early cases lacked standing to sue because they alleged only the violation of a public—rather than a private—right.<sup>236</sup> By mid-century, however, the Court sought to expand its oversight of the other branches of government and to grant public interest groups greater access to federal court.<sup>237</sup> Recognizing that the “private rights” approach to standing was too restrictive, the Court adopted a new model for standing in public law cases. Specifically, the Court established that plaintiffs asserting violations of public rights had standing as long as they had suffered an “injury in fact, economic or otherwise.”<sup>238</sup> Thus, private citizens could sue to vindicate

<sup>232</sup> U.S. CONST. art. III, § 2.

<sup>233</sup> See, e.g., *Summers v. Earth Island Inst.*, 555 U.S. 488, 492-93 (2009); see also Chayes, *supra* note 58, at 8 (“The Court’s preoccupation with the problem of standing to sue is a relatively recent phenomenon. In the classical lawsuit, the standing problem could hardly arise.” (footnote omitted)).

<sup>234</sup> *Flast v. Cohen*, 392 U.S. 83, 94-97 (1968). States, on the other hand, are not bound by Article III, and so many permit their highest courts to render advisory opinions to legislatures, executive officers, or other courts. See Landes & Posner, *supra* note 146, at 684.

<sup>235</sup> See generally Cass R. Sunstein, *What’s Standing After Lujan? Of Citizen Suits, “Injuries,” and Article III*, 91 MICH. L. REV. 163, 179 (1992).

<sup>236</sup> See *Coleman v. Miller*, 307 U.S. 433, 464 (1939) (“No matter how seriously infringement of the Constitution may be called into question, this is not the tribunal for its challenge except by those who have some specialized interest of their own to vindicate, apart from a political concern which belongs to all.”); *Fairchild v. Hughes*, 258 U.S. 126, 129-30 (1922) (holding that the only right asserted by the plaintiff was “the right, possessed by every citizen, to require that the Government be administered according to law and that the public moneys be not wasted,” and that “this general right does not entitle a private citizen to institute . . . suit”).

<sup>237</sup> See F. Andrew Hessick, *Standing, Injury in Fact, and Private Rights*, 93 CORNELL L. REV. 275, 292-93 (2008); Sunstein, *supra* note 235, at 183.

<sup>238</sup> *Ass’n of Data Processing Serv. Orgs., Inc. v. Camp*, 397 U.S. 150, 152 (1970). The Court defined injury in fact broadly to include aesthetic, conservational, recreational, and spiritual injuries. *Id.* at 154.

public interests as long as the challenged action affected the plaintiff in some way.<sup>239</sup>

As the Supreme Court moved toward a public law model of standing, Congress enacted numerous statutes with citizen suit provisions, especially in the environmental area.<sup>240</sup> The Clean Air Act, for instance, authorized any private citizen to sue a regulated entity on behalf of the public to force compliance with the new environmental laws.<sup>241</sup> So, through these citizen suit provisions, Congress attempted to confer standing on a broad class of plaintiffs who could act as private attorneys general to vindicate the public interest.<sup>242</sup>

With this expansion in standing from the judicial and legislative branches came a rise in public interest litigation.<sup>243</sup> In addition to environmental suits,<sup>244</sup> private citizens brought court challenges to various tax policies,<sup>245</sup> racial discrimination,<sup>246</sup> and the death penalty.<sup>247</sup> The Supreme Court responded by restricting the standing doctrine in piecemeal fashion. After holding that injury in fact is an Article III requirement,<sup>248</sup> the Court added both causation and redressability as prongs to the standing analysis.<sup>249</sup> These restrictions on standing culminated in *Lujan v. Defenders of Wildlife*,<sup>250</sup> in which the Supreme Court “established that the irreducible constitutional minimum of standing contains three elements.”<sup>251</sup> The plaintiff first must demonstrate that she suffered, or has been threatened with, an injury in fact.<sup>252</sup> An injury in fact is a concrete and particularized invasion of a

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<sup>239</sup> See generally Sunstein, *supra* note 235, at 185 (stating that “beneficiaries of regulatory programs would generally have standing” under the public law model).

<sup>240</sup> See *id.* at 192-93.

<sup>241</sup> 42 U.S.C. § 7604 (2006).

<sup>242</sup> The question whether Congress has the power to confer Article III standing has been the subject of much debate. Compare *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 576-77 (1992) (holding that Congress could not confer Article III standing), with Sunstein, *supra* note 235, at 222-23 (arguing that standing depends on whether Congress has conferred a right to bring suit).

<sup>243</sup> See generally Robert L. Rabin, *Lawyers for Social Change: Perspectives on Public Interest Law*, 28 STAN. L. REV. 207, 224-42 (1976) (describing the “second wave” of public interest litigation, beginning in the 1960s and 1970s).

<sup>244</sup> See, e.g., *Sierra Club v. Morton*, 405 U.S. 727 (1972).

<sup>245</sup> See *Simon v. E. Ky. Welfare Rights Org.*, 426 U.S. 26 (1976); *United States v. Richardson*, 418 U.S. 166 (1974); *Schlesinger v. Reservists Comm. to Stop the War*, 418 U.S. 208 (1974).

<sup>246</sup> See, e.g., *Allen v. Wright*, 468 U.S. 737 (1984).

<sup>247</sup> See, e.g., *Whitmore v. Arkansas*, 495 U.S. 149 (1990).

<sup>248</sup> *Schlesinger*, 418 U.S. at 224 & n.14.

<sup>249</sup> *Allen*, 468 U.S. at 753 & n.19; *Simon*, 426 U.S. at 41-42 (“[T]he ‘case or controversy’ limitation of Art. III still requires that a federal court act only to redress injury that fairly can be traced to the challenged action of the defendant, and not injury that results from the independent action of some third party not before the court.”).

<sup>250</sup> 504 U.S. 555 (1992).

<sup>251</sup> *Id.* at 560.

<sup>252</sup> *Id.*

legally protected interest; it must be “actual or imminent,” as opposed to “conjectural or hypothetical.”<sup>253</sup> The second element is a causal connection between the injury and the defendant’s conduct, meaning that at least some portion of the plaintiff’s injury is “fairly traceable” to the defendant rather than to a third party.<sup>254</sup> The final element is that the relief requested is likely to redress the plaintiff’s injury.<sup>255</sup> For a federal court to consider the merits of a case, at least one plaintiff must meet all three of these standing requirements.<sup>256</sup>

In *Lujan* and the cases leading up to it, the Court reasoned that standing serves to preserve the separation of powers among the three branches of our federal government.<sup>257</sup> Without limitations on standing, any person could ask the courts to interfere with the political branches of government.<sup>258</sup> This separation of powers concern was even more pronounced in a case like *Lujan* that involved a citizen suit provision because Congress was “transfer[ring] from the President to the courts the Chief Executive’s most important constitutional duty,” that is, “to ‘take Care that the Laws be faithfully executed.’”<sup>259</sup> In the *Lujan* Court’s view, “[v]indicating the *public* interest . . . is the function of Congress and the Chief Executive,” not the

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<sup>253</sup> *Id.*

<sup>254</sup> *Id.*

<sup>255</sup> On top of these constitutional requirements, the Supreme Court has identified certain prudential limits to standing: (1) plaintiff generally may not assert rights of a third party; (2) taxpayer plaintiff may not sue regarding a common grievance; and (3) plaintiff’s claim must be within the “zone of interests” of the relevant statute. *See* ERWIN CHERMERINSKY, FEDERAL JURISDICTION 61 (5th ed. 2007) [hereinafter CHERMERINSKY, FEDERAL JURISDICTION]. The first prudential limitation is intended to promote “fairness by ensuring that people will raise only their own right and concerns,” rather than allowing a third party’s rights to be adjudicated without the consent of the third party. ERWIN CHERMERINSKY, CONSTITUTIONAL LAW: PRINCIPLES AND POLICIES 61-62 (3d ed. 2006). Arguably, the Federal Circuit has limited standing in patent declaratory judgment actions based on this “third party standing” prudential concern rather than constitutional grounds. *See, e.g.,* Ass’n for Molecular Pathology v. PTO, 653 F.3d 1329, 1344 (Fed. Cir. 2011), *vacated sub nom.* Ass’n for Molecular Pathology v. Myriad Genetics, Inc., 132 S. Ct. 1794 (2012) (holding that plaintiffs lacked standing because defendant had not directed any affirmative acts at them). However, since the Federal Circuit claims its standing analysis is grounded in constitutional principles, this Article will focus on constitutional standing doctrine as well.

<sup>256</sup> *Horne v. Flores*, 557 U.S. 433, 445 (2009) (“[I]n all standing inquiries, the critical question is whether at least one petitioner has ‘alleged such a personal stake in the outcome of the controversy as to warrant *his* invocation of federal-court jurisdiction.’” (quoting *Summers v. Earth Island Inst.*, 555 U.S. 488, 493 (2009))).

<sup>257</sup> *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 576-77 (1992); *see also* Heather Elliott, *Congress’s Inability to Solve Standing Problems*, 91 B.U. L. REV. 159, 175-76 (2011) (describing different views of how the standing doctrine effects the separation of powers); Antonin Scalia, *The Doctrine of Standing as an Essential Element of the Separation of Powers*, 17 SUFFOLK U. L. REV. 881, 881 (1983) (arguing that standing limits the role of the judicial branch and prevents it from encroaching upon the elected branches of government).

<sup>258</sup> *See Lujan*, 504 U.S. at 576-77.

<sup>259</sup> *Id.* at 577.



judicial branch.<sup>260</sup> The Court supported this conclusion by citing its early twentieth-century cases that denied standing on the ground that plaintiffs alleged only the violation of a public right.<sup>261</sup> In short, the Court in *Lujan* returned to a “private rights” model of standing that restricts plaintiffs to asserting their own private interests rather than the interests of the public at large.<sup>262</sup>

## 2. The Federal Circuit’s Standing Doctrine Before *MedImmune*

Standing problems occur in all types of cases, but they are commonplace in anticipatory, or preventive, adjudication where the plaintiff seeks a remedy to avoid future harm rather than damages to compensate for past injuries.<sup>263</sup> In patent declaratory judgment actions, the plaintiff often sues the patent owner *before* it has undertaken any infringing activity or violated any rights, and so the plaintiff has not yet suffered an injury at the time of suit. Patent declaratory judgment actions, therefore, fall neatly within the preventive adjudication paradigm and provide fertile ground for standing challenges.<sup>264</sup>

Since its inception in 1982, the Federal Circuit has struggled to define the parameters of standing in patent declaratory judgment actions.<sup>265</sup> Almost two decades ago, the Federal Circuit pronounced that standing requires more “than the [mere] existence of an adversely held patent.”<sup>266</sup> Although

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<sup>260</sup> *Id.* at 576.

<sup>261</sup> See *Coleman v. Miller*, 307 U.S. 433, 464 (1939) (“No matter how seriously infringement of the Constitution may be called into question, this is not the tribunal for its challenge except by those who have some specialized interest of their own to vindicate, apart from a political concern which belongs to all.”); *Fairchild v. Hughes*, 258 U.S. 126, 129-30 (1922) (holding that the only right asserted by plaintiff was “the right, possessed by every citizen, to require that the government be administered according to law and that the public moneys be not wasted,” and that “this general right does not entitle a private citizen to institute . . . suit”).

<sup>262</sup> Hessick, *supra* note 237, at 289-90 & n.86.

<sup>263</sup> See *Bray*, *supra* note 146, at 1300 (noting that standing doctrine limits preventive adjudication); Hessick, *supra* note 237, at 291 (noting that standing doctrine evolved, in part, because of the creation of nontraditional actions like declaratory judgment actions).

<sup>264</sup> *Bray*, *supra* note 146, at 1276; see also *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 128 n.8 (2007) (“The justiciability problem that arises, when the party seeking declaratory relief is himself preventing the complained-of injury from occurring, can be described in terms of standing (whether plaintiff is threatened with ‘imminent’ injury in fact ‘fairly . . . trace[able] to the challenged action of the defendant.’ (alterations in original) (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992))).

<sup>265</sup> Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (creating the Federal Circuit).

<sup>266</sup> *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993). Notably, the Federal Circuit’s pronouncement conflicts with the Supreme Court’s statement in *Cardinal Chemical* that “[m]erely the desire to avoid the threat of a ‘scarecrow’ patent” may “be sufficient to establish jurisdiction under the Declaratory Judgment Act.” *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96

the Federal Circuit has never rationalized this bright-line rule, courts have echoed this sentiment time and again and consistently have held that an adverse patent alone is insufficient to confer standing.<sup>267</sup> Yet, the Federal Circuit has been much less coherent in resolving what types of circumstances *are* sufficient to establish standing in patent declaratory relief suits.

For many years, the Federal Circuit required satisfaction of a two-part test to establish standing in patent declaratory relief actions. The plaintiff was required to show that it: (1) had an objectively reasonable apprehension of suit at the time the suit was filed; and (2) produced, or made meaningful preparations to produce, an allegedly infringing product.<sup>268</sup> The first prong of this test required either an “explicit threat” or some other conduct by the patentee that made the plaintiff reasonably apprehensive of infringement litigation.<sup>269</sup> Certain factors rendered a declaratory judgment plaintiff’s apprehension “presumptively reasonable,” including prior infringement actions by the patentee against competitors involving the same technology and threats by the patent owner to sue the plaintiff’s customers for infringement.<sup>270</sup>

The second prong of the Federal Circuit’s standing test, on the other hand, focused on the plaintiff’s conduct. It asked whether the plaintiff was producing an infringing product or had at least made “meaningful preparation[s]” toward infringing activity.<sup>271</sup> This requirement was intended to ensure that the plaintiff has a real interest to be protected by the declaratory judgment, and to preclude advisory opinions on whether “some merely contemplated activity” might be infringing.<sup>272</sup> The Federal Circuit recognized that this prong is easily satisfied when the plaintiff is actually producing, selling, or using the allegedly infringing product, but the question of “meaningful preparations” is a more difficult one that must be resolved on a case-by-case basis.<sup>273</sup>

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(1993). This is particularly telling since the Supreme Court made this statement in *Cardinal Chemical* just months before the Federal Circuit decided *BP Chemical*. This question of whether an adverse patent alone is sufficient to confer standing is an important and difficult matter that remains to be explored in future work.

<sup>267</sup> See *Ass’n for Molecular Pathology v. PTO*, 653 F.3d 1329, 1344 (Fed. Cir. 2011), *vacated sub nom.* *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012); *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1338 (Fed. Cir. 2008); *Capo, Inc. v. Dioptrics Med. Prods., Inc.*, 387 F.3d 1352, 1355 (Fed. Cir. 2004); *TriTeq Lock & Sec. LLC v. Innovative Secured Solutions, LLC*, No. 10-CV-1304, 2012 WL 394229, at \*4 (N.D. Ill. Feb. 1, 2012).

<sup>268</sup> See, e.g., *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 887 n.2 (Fed. Cir. 1992).

<sup>269</sup> *BP Chems.*, 4 F.3d at 978.

<sup>270</sup> See, e.g., *Sirius Satellite Research Inc. v. Acacia Research Corp.*, No. 05-CV-7495(PAC), 2006 WL 238999, at \*5 (S.D.N.Y. Jan. 30, 2006).

<sup>271</sup> *Prasco*, 537 F.3d at 1336 n.4.

<sup>272</sup> *Arrowhead Indus. Water, Inc. v. Ecolchem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988).

<sup>273</sup> *Id.*

In *Gen-Probe v. Vysis*,<sup>274</sup> the Federal Circuit applied this two-part test to decide whether a nonrepudiating licensee had standing to sue the patent owner for declaratory relief.<sup>275</sup> There was no doubt that Gen-Probe met the second prong because it was producing a product, so the question concerned the reasonable apprehension portion of the test.<sup>276</sup> Vysis, the patent owner, argued that there could not be a reasonable apprehension of suit since the license protected Gen-Probe from an infringement charge.<sup>277</sup> The Federal Circuit agreed with Vysis and held that nonrepudiating licensees must breach the license agreement (for instance, by ceasing royalty payments) in order to create standing.<sup>278</sup> Within a few years, however, the *Gen-Probe* rule reached the Supreme Court and was reversed.<sup>279</sup>

### 3. The *MedImmune* Decision

In *MedImmune v. Genentech*,<sup>280</sup> the Supreme Court held that nonrepudiating licensees potentially have standing to bring patent declaratory judgment actions.<sup>281</sup> Reversing the Federal Circuit, the Court explained that Article III's standing requirement does not obligate a nonrepudiating licensee to terminate or breach its license agreement before seeking declaratory relief.<sup>282</sup> The patent licensee should not have to "bet the farm, so to speak, by taking the violative action."<sup>283</sup> In other words, the Court identified a significant mismatch between the *Gen-Probe* rule and the underlying purpose of the Declaratory Judgment Act, which is to prevent the violation of rights by facilitating anticipatory adjudication.<sup>284</sup>

While *MedImmune* involved a nonrepudiating licensee's standing to sue, the Supreme Court in its opinion painted with a broader brush. It attacked the Federal Circuit's standing test more generally, stating that the reasonable apprehension prong conflicted with Supreme Court precedent.<sup>285</sup> It held, instead, that questions of standing in all patent declaratory judgment

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<sup>274</sup> 359 F.3d 1376 (Fed. Cir. 2004), *abrogated by* *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

<sup>275</sup> A nonrepudiating licensee, or a licensee in good standing, is a licensee who has paid the requisite royalties and complied with all other provisions of the license agreement. *See id.* at 1379.

<sup>276</sup> *Id.* at 1377, 1379.

<sup>277</sup> *Id.* at 1381.

<sup>278</sup> *Id.*

<sup>279</sup> *MedImmune*, 549 U.S. at 137.

<sup>280</sup> 549 U.S. 118 (2007).

<sup>281</sup> *Id.* at 137.

<sup>282</sup> *Id.*

<sup>283</sup> *Id.* at 129.

<sup>284</sup> *See supra* Part II.B (discussing the history and purpose of the Declaratory Judgment Act).

<sup>285</sup> *MedImmune*, 549 U.S. at 132 n.11.

actions must be evaluated on a case-by-case basis.<sup>286</sup> The inquiry should be “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”<sup>287</sup> In deciding whether the constitutional prerequisites for standing are satisfied—*injury in fact*, *causation*, and *redressability*—the court must consider the totality of the circumstances.<sup>288</sup> Applying this standard, the Court held that *MedImmune* had standing to seek a declaration of patent invalidity from the court even though the license agreement had not been breached.<sup>289</sup>

The *MedImmune* Court’s standing analysis is significant for many reasons. Most obviously, it is the controlling law on standing in patent declaratory judgment actions, and so the Federal Circuit is bound by it and must apply it.<sup>290</sup> But more to the point of this Article, *MedImmune*’s holistic approach to standing hearkens back to the Court’s pre-*Lujan* public law model of standing. Like the earlier public law model, the *MedImmune* standard focuses on more than the private law relationship between the plaintiff and defendant.<sup>291</sup> It looks instead to all the circumstances to determine whether the defendant’s conduct wronged (or threatened to wrong) the plaintiff in some way.<sup>292</sup>

More importantly, *MedImmune*’s holistic approach to standing and the Court’s public law standing model share a common objective: to facilitate lawsuits and provide greater access to courts. The Court transitioned to an *injury-in-fact* requirement in the 1960s so public interest groups and other private citizens had standing to litigate matters that would improve the social welfare.<sup>293</sup> And while the Court no longer prioritizes access to federal

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<sup>286</sup> *Id.* at 127.

<sup>287</sup> *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

<sup>288</sup> *Id.*

<sup>289</sup> *Id.* at 137.

<sup>290</sup> *See, e.g., Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278, 1290 (Fed. Cir. 2008) (“[W]e must ‘follow *MedImmune*’s teaching to look at ‘all the circumstances’ to determine whether [an action for a declaratory judgment of noninfringement or patent invalidity presents] a justiciable Article III controversy.” (alteration in original) (quoting *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1339 (Fed. Cir. 2007))).

<sup>291</sup> *See Ass’n of Data Processing Serv. Orgs., Inc. v. Camp*, 397 U.S. 150, 153 n.1 (1970).

<sup>292</sup> *MedImmune*, 549 U.S. at 127, 133; *Camp*, 397 U.S. at 152 (holding that standing depends on “whether the plaintiff alleges that the challenged action has caused him injury in fact, economic or otherwise”).

<sup>293</sup> *See, e.g., Camp*, 397 U.S. at 154 (“Certainly he who is ‘likely to be financially’ injured may be a reliable private attorney general to litigate the issues of the public interest in the present case.”) (citation omitted); *id.* (“Where statutes are concerned, the trend is toward enlargement of the class of people who may protest administrative action. The whole drive for enlarging the category of aggrieved ‘persons’ is symptomatic of that trend.”).

court for many types of public law cases,<sup>294</sup> that is not true for patent validity challenges. The Supreme Court has consistently held that these cases must be encouraged and facilitated in order to rid the system of bad patents.<sup>295</sup> In the same vein, *MedImmune* clearly intended to facilitate standing in patent declaratory judgment actions so as to ease the burden on parties wishing to challenge invalid patents.<sup>296</sup> Yet, even after *MedImmune*, Federal Circuit standing doctrine remains a serious impediment to declaratory relief in patent cases.

#### 4. The Federal Circuit's Standing Doctrine After *MedImmune*

Since *MedImmune*, which was decided only five years ago, the parameters of this totality-of-the-circumstances standard have been a moving target. At first, the Federal Circuit and commentators viewed *MedImmune* as a drastic departure from prior law, and agreed that it would now be easier to establish standing in affirmative patent validity contests.<sup>297</sup> In the months following *MedImmune*, the Federal Circuit acknowledged the Supreme Court's revocation of its reasonable apprehension test and announced that it would use the all-the-circumstances standard instead.<sup>298</sup> One of these early Federal Circuit cases explained:

Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandon-

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<sup>294</sup> See *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992) (holding that Congress could not confer Article III standing); *Whitmore v. Arkansas*, 495 U.S. 149 (1990) (private citizen had no standing to challenge death penalty).

<sup>295</sup> See *supra* Part II.B (discussing the long line of Supreme Court cases encouraging patent validity contests); see also *Glover*, *supra* note 115, at 1143-45 (proposing that the optimal level of private enforcement depends on the particular area of substantive law, the nature of the regulatory regime, and the regulatory objectives).

<sup>296</sup> *MedImmune*, 549 U.S. at 146 (Thomas, J., dissenting) (“[T]he majority has given every patent licensee a cause of action . . . for challenging the validity of licensed patents.”); see also *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1027 (Fed. Cir. 2009) (Newman, J., dissenting) (“The evolving law under *MedImmune* facilitates challenge to adversely held patents.”); *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1350 (Fed. Cir. 2007) (Dyk, J., dissenting) (citing the long line of Supreme Court decisions, including *MedImmune*, holding that “[t]here is a strong public interest in permitting accused infringers to challenge invalid or unenforceable patents”); *Dreyfuss & Pope*, *supra* note 197, at 973 (“*MedImmune* appears to create new avenues for courts to police the implementation of patent law and to release advances that should not have been patented into the public domain.”).

<sup>297</sup> See, e.g., *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008) (noting *MedImmune*'s “more lenient legal standard”); see also Ronald A. Bleeker & Michael V. O'Shaughnessy, *One Year After MedImmune—The Impact on Patent Licensing & Negotiation*, 17 *FED. CIR. B.J.* 401, 435 (2008) (stating that “[t]he new standard . . . make[s] it easier for accused infringers to bring declaratory judgment action[s]”).

<sup>298</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007); *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1339 (Fed. Cir. 2007).

ing that which he claims a right to do. We need not define the outer boundaries of declaratory judgment jurisdiction, which will depend on the application of the principles of declaratory judgment jurisdiction to the facts and circumstances of each case. We hold only that where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.<sup>299</sup>

Not surprisingly, in the immediate wake of *MedImmune*, the Federal Circuit and lower courts were systematically denying motions to dismiss on the grounds that plaintiffs had established standing under this more lenient all-the-circumstances standard.<sup>300</sup>

Within a short time, though, the Federal Circuit began rolling back standing doctrine in patent declaratory judgment actions. Although the Federal Circuit initially repudiated the reasonable apprehension test, it re-embraced that rule in *Prasco v. Medicis Pharmaceuticals*.<sup>301</sup> *Prasco* held that “proving a reasonable apprehension of suit is one of multiple ways that a declaratory judgment plaintiff can satisfy the more general all-the-circumstances test.”<sup>302</sup> According to the Federal Circuit, the Supreme Court in *MedImmune* simply “rejected the reasonable apprehension of suit test as the *sole* test for” standing; it did not hold that reasonable apprehension was wholly irrelevant to the standing analysis.<sup>303</sup>

An even more striking example of the Federal Circuit’s backpedaling is *Cat Tech LLC v. TubeMaster, Inc.*<sup>304</sup> Unlike *Prasco*, the question in *Cat Tech* concerned the viability of the second prong of the Federal Circuit’s former standing test—whether the plaintiff produced, or made meaningful preparations to produce, an allegedly infringing product.<sup>305</sup> The Federal Circuit held that, even after *MedImmune*, the meaningful preparations prong remains an “important element” for evaluating standing.<sup>306</sup> The court explained that if the declaratory judgment plaintiff does not take significant, concrete steps towards infringing activity, then “the dispute is neither ‘immediate’ nor ‘real’ and the requirements for justiciability have not been met.”<sup>307</sup> So even though the Federal Circuit claimed that the meaningful preparations prong is merely an “important element” of standing, the court

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<sup>299</sup> *SanDisk*, 480 F.3d at 1381.

<sup>300</sup> *See id.*; *Teva*, 482 F.3d at 1339.

<sup>301</sup> 537 F.3d 1329 (Fed. Cir. 2008).

<sup>302</sup> *Id.* at 1336.

<sup>303</sup> *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 665 F.3d 1269, 1282 (Fed. Cir. 2012).

<sup>304</sup> 528 F.3d 871 (Fed. Cir. 2008).

<sup>305</sup> *Id.* at 878-79.

<sup>306</sup> *Id.* at 880.

<sup>307</sup> *Id.* (emphasis added).

treated it as a requirement.<sup>308</sup> Simply put, *Cat Tech* reinstated the second prong of the Federal Circuit's pre-*MedImmune* standing test.<sup>309</sup>

And then in *Myriad*, the Federal Circuit dealt another blow to *MedImmune*'s all-the-circumstances test.<sup>310</sup> In *Myriad*, the ACLU and PUBPAT—representing twenty medical organizations, genetics researchers, clinicians, and cancer patients—initiated a declaratory judgment action challenging certain controversial human gene patents related to breast and ovarian cancer.<sup>311</sup> Plaintiffs sought a declaration that Myriad's patents were invalid because human genes, as products of nature, are not patentable subject matter.<sup>312</sup> Myriad responded predictably by moving to dismiss for lack of standing.<sup>313</sup> The district court determined that all twenty plaintiffs had standing, declared the patents invalid, and granted summary judgment in favor of plaintiffs.<sup>314</sup>

Myriad appealed to the Federal Circuit both on standing grounds and on the merits of the validity claim.<sup>315</sup> With respect to standing, the three-judge panel affirmed the lower court, albeit on far narrower grounds.<sup>316</sup> The Federal Circuit held that only one of the twenty plaintiffs, Dr. Harry Ostrer, had standing to sue because he alone demonstrated the requisite injury in fact.<sup>317</sup> The court then proceeded to the merits and reversed the lower court's finding of invalidity, at least as to most of the patent claims.<sup>318</sup> Specifically, the court held that Myriad's claims directed to isolated genes recite patentable subject matter, but some of its method claims do not.<sup>319</sup>

For purposes of this Article, the *Myriad* court's ultimate decision on the standing question does not matter much, but its rationale is critically important and will have enduring effects on affirmative validity challenges

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<sup>308</sup> *Id.*

<sup>309</sup> *See, e.g., Ours Tech., Inc. v. Data Drive Thru, Inc.*, 645 F. Supp. 2d 830, 836-37 (N.D. Cal. 2009) (holding that plaintiff lacked standing in patent declaratory judgment action because it failed to satisfy the meaningful preparations requirement).

<sup>310</sup> *See La Belle, supra* note 32, at 82.

<sup>311</sup> *Id.* at 69.

<sup>312</sup> *Ass'n for Molecular Pathology v. PTO*, 653 F.3d 1329, 1342 (Fed. Cir. 2011), *vacated sub nom. Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012). Plaintiffs also sued the PTO asserting certain constitutional claims, but the district court and Federal Circuit decided the case on patent validity grounds.

<sup>313</sup> *Id.* at 1341.

<sup>314</sup> *Ass'n for Molecular Pathology v. PTO*, 702 F. Supp. 2d 181, 238 (S.D.N.Y. 2010), *aff'd in part, rev'd in part*, 653 F.3d 1329 (Fed. Cir. 2011), *vacated sub nom. Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012).

<sup>315</sup> *Myriad*, 653 F.3d at 1333.

<sup>316</sup> *Id.* at 1344.

<sup>317</sup> *Id.*

<sup>318</sup> *Id.* at 1334.

<sup>319</sup> *Id.*

going forward.<sup>320</sup> While the Federal Circuit claimed to follow *MedImmune*'s all-the-circumstances standard, it actually applied a rigid two-part test to evaluate standing. The *Myriad* court held that to establish an injury in fact traceable to the patent owner, plaintiffs in declaratory judgment suits "must allege both (1) an affirmative act by the patentee related to the enforcement of his patent rights, and (2) meaningful preparation to conduct potentially infringing activity."<sup>321</sup> What is more, the Federal Circuit heightened the first prong of this test by requiring the patentee's affirmative acts to *be directed at the plaintiff* as opposed to a third party.<sup>322</sup> Thus, *Myriad* crystallized the Federal Circuit's retrogression toward an inflexible, formalistic approach to standing that makes it far too difficult for patent declaratory judgment suits to survive early dismissal.

Plaintiffs in *Myriad* filed a petition for certiorari with the Supreme Court that raised questions as to both standing and the underlying merits of the case.<sup>323</sup> On March 26, 2012, the Supreme Court granted the certiorari petition, vacated the judgment, and remanded *Myriad* to the Federal Circuit for further consideration in light of the Court's recent decision in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*,<sup>324</sup> another patentable subject matter case.<sup>325</sup> *Myriad* returned to the Federal Circuit for oral argument on July 20, 2012, and the court issued its second opinion in the case less than a month later.<sup>326</sup> Although the Federal Circuit's opinion in *Myriad II* revisited the standing question, there was no change in the court's

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<sup>320</sup> In an earlier article, I analyzed the Federal Circuit's opinion in *Myriad* and argued that the court's decision that only one plaintiff had standing was incorrect in light of Supreme Court precedent, including *MedImmune*, *Lujan*, and *City of Los Angeles v. Lyons*. See La Belle, *supra* note 32, at 70.

<sup>321</sup> *Myriad*, 653 F.3d at 1343 (citation omitted).

<sup>322</sup> *Id.* at 1344 (narrowing the potential plaintiffs with standing to those who could "allege affirmative patent enforcement actions *directed at them by Myriad*" (emphasis added)); *id.* at 1348 ("The district court failed to limit its jurisdictional holding to affirmative acts by the patentee directed at specific Plaintiffs . . . and thus we reverse the district court's holding." (citation omitted)).

<sup>323</sup> Petition for a Writ of Certiorari, Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 132 S. Ct. 1794 (2012) (No. 11-725), available at [http://www.aclu.org/files/assets/association\\_of\\_molecular\\_v\\_myriad\\_petition\\_for\\_writ\\_of\\_certiorari.pdf](http://www.aclu.org/files/assets/association_of_molecular_v_myriad_petition_for_writ_of_certiorari.pdf). The question presented regarding standing is:

Did the court of appeals err in adopting a new and inflexible rule, contrary to normal standing rules and this Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), that petitioners who have been indisputably deterred by Myriad's "active enforcement" of its patent rights nonetheless lack standing to challenge those patents absent evidence that they have been personally and directly threatened with an infringement action?

*Id.*

<sup>324</sup> 132 S. Ct. 1289 (2012).

<sup>325</sup> *Myriad*, 132 S. Ct. at 1794.

<sup>326</sup> Ass'n for Molecular Pathology v. PTO, No. 2010-1406, 2012 WL 3518509 (Fed. Cir. Aug. 16, 2012) ("*Myriad II*").



conclusion or rationale.<sup>327</sup> If the case returns to the Supreme Court, however, the question of standing may come to the forefront once again.

In the meantime, the impact of *Myriad* has already been felt far and wide. Courts evaluating standing according to the *Myriad* framework consistently have held in favor of patent owners and dismissed cases for lack of subject matter jurisdiction.<sup>328</sup> One example is *Organic Seed Growers & Trade Ass'n v. Monsanto*, another high-profile patent challenge initiated by PUBPAT.<sup>329</sup> In *Monsanto*, PUBPAT filed a declaratory judgment action against Monsanto on behalf of a large group of farmers and seed companies seeking to invalidate certain patents covering genetically modified, or transgenic, seed.<sup>330</sup> Relying on *Myriad*, Monsanto moved to dismiss the action on the ground that none of the plaintiffs had standing.<sup>331</sup> Monsanto argued that the plaintiffs could not meet the first prong of the *Myriad* test because there was no “act by Monsanto directed toward a specific Plaintiff.”<sup>332</sup> Similarly, Monsanto contended, the plaintiffs fell short because they failed to “show a likelihood of imminent ‘potentially infringing activity,’” as required by *Myriad*.<sup>333</sup> Just like other post-*Myriad* decisions,<sup>334</sup> the *Monsanto* court held that the plaintiffs lacked standing and granted the defendants’ motion to dismiss.<sup>335</sup> The plaintiffs have appealed the *Monsanto* decision to the Federal Circuit,<sup>336</sup> and the court will likely hear oral argument in early 2013.

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<sup>327</sup> *Id.* at \*8-14. The panel did not change its decision with respect to the merits of the case either.

<sup>328</sup> See *McGlothlin v. Drake*, No. 1:11CV00055JH, 2012 WL 1768098, at \*3 (E.D. Ark. May 16, 2012); *Cherdak v. Vock*, No. 1:11-cv-1311, 2012 WL 1427847 (E.D. Va. Apr. 23, 2012); *Asius Techs., LLC v. Sonion US, Inc.*, 835 F. Supp. 2d 554 (N.D. Ill. 2011); *Adobe Sys. Inc. v. Kelora Sys. LLC*, No. C11-3938-CW, 2011 WL 6101545, at \*4-6 (N.D. Cal. Dec 7, 2011); *Proofpoint, Inc. v. InNova Patent Licensing, LLC*, No. 5:11-CV-02288-LHK, 2011 WL 4915847 (N.D. Cal. Oct. 17, 2011); *JIA Jewelry Imps. of Am., Inc. v. Pandora Jewelry, LLC*, No. CCB-11-982, 2011 WL 4566118 (D. Md. Sept. 29, 2011).

<sup>329</sup> *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, 851 F. Supp. 2d 544 (S.D.N.Y. 2012); see also Julia Moskin, *Modified Crops Tap a Wellspring of Protest*, N.Y. TIMES (Feb. 7, 2012), <http://www.nytimes.com/2012/02/08/dining/a-suit-airs-debate-on-organic-vs-modified-crops.html>; *Controversy over Patents on Genetically-Modified Seeds*, WICN (Jan. 8, 2012) <http://www.wicn.org/podcasts/audio/daniel-ravicher-all-new>.

<sup>330</sup> First Amended Complaint ¶¶ 4-5, *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, 851 F. Supp. 2d 544 (S.D.N.Y. 2012) (No. 11 Civ. 2163(NRB)).

<sup>331</sup> Reply Memorandum in Support of Monsanto’s Motion to Dismiss for Lack of Subject Matter Jurisdiction at 1, *Monsanto*, 851 F. Supp. 2d 544 (No. 11 Civ. 2163(NRB)).

<sup>332</sup> *Id.* at 6.

<sup>333</sup> *Id.* at 9.

<sup>334</sup> See *supra* note 328 and accompanying text (discussing post-*Myriad* standing decisions).

<sup>335</sup> Reply Memorandum, *supra* note 331, at 9 (concluding that plaintiffs failed to show any affirmative act directed at them by defendant Monsanto).

<sup>336</sup> Brief of Appellants, *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, No. 12-1298 (Fed. Cir. July 5, 2012).

With high-profile cases like *MedImmune* and *Myriad*, the issue of standing in patent declaratory judgment actions has garnered some attention.<sup>337</sup> Yet, the second jurisdictional hurdle that declaratory judgment plaintiffs face—personal jurisdiction—has largely been overlooked by scholars.<sup>338</sup> From a patent challenger’s perspective, however, establishing personal jurisdiction can be a real problem, especially when the patent owner is a foreign entity.

## B. *Personal Jurisdiction in Patent Declaratory Judgment Actions*

### 1. The Fundamentals of Personal Jurisdiction

The personal jurisdiction doctrine limits a court’s ability to bind a particular defendant to the judgment of that court.<sup>339</sup> Notions of due process serve as the theoretical underpinnings for the personal jurisdiction doctrine.<sup>340</sup> Since *International Shoe Co. v. Washington*,<sup>341</sup> defendant’s contacts with the forum state have been the touchstone of modern personal jurisdiction law. The question for the court is whether the nonresident defendant has “certain minimum contacts with [the forum state] such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”<sup>342</sup>

Two profiles of personal jurisdiction have evolved since *International Shoe*: general jurisdiction and specific jurisdiction.<sup>343</sup> A court may exercise general jurisdiction only when a defendant has “continuous and systematic”

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<sup>337</sup> See, e.g., Levine & Belle, *supra* note 157, at 494-95; Kelsey I. Nix & Laurie Stempler, *The Federal Circuit’s Interpretation and Application of the MedImmune Standard for Declaratory Judgment Jurisdiction*, 19 TEX. INTELL. PROP. L.J. 331, 332 (2011).

<sup>338</sup> See La Belle, *supra* note 110, at 46.

<sup>339</sup> See, e.g., *Pennoyer v. Neff*, 95 U.S. 714, 732 (1877), *overruled in part by Shaffer v. Heitner*, 433 U.S. 186 (1977).

<sup>340</sup> *Ins. Corp. of Ir. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 (1982). At times, the Supreme Court has indicated that the personal jurisdiction doctrine also protects state sovereignty. See *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2786-87 (2011) (plurality opinion); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 291-92 (1980). Several scholars, and the Court itself, have called this position into question. See, e.g., *Ins. Corp. of Ir.*, 456 U.S. at 702 (“The requirement that a court have personal jurisdiction flows not from Art. III, but from the Due Process Clause.”); see also Patrick J. Borchers, *The Death of the Constitutional Law of Personal Jurisdiction: From Pennoyer to Burnham and Back Again*, 24 U.C. DAVIS. L. REV. 19, 20 (1990); Martin H. Redish, *Due Process, Federalism, and Personal Jurisdiction: A Theoretical Evaluation*, 75 NW. U. L. REV. 1112, 1120 (1981).

<sup>341</sup> 326 U.S. 310 (1945).

<sup>342</sup> *Id.* at 316 (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

<sup>343</sup> *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011); *Helicopteros Nacionales de Colom., S. A. v. Hall*, 466 U.S. 408, 414-15 (1984).

contacts that render it “essentially at home in the forum [s]tate.”<sup>344</sup> Where such contacts exist, the defendant is subject to suit in the forum state on any type of claim even if unrelated to the defendant’s contacts.<sup>345</sup>

Specific jurisdiction requires less pervasive contacts between the defendant and the forum state,<sup>346</sup> but the plaintiff’s claim must arise out of or be related to the defendant’s contacts with the forum state.<sup>347</sup> Besides this nexus requirement, the defendant’s contacts with the forum state also must be purposeful,<sup>348</sup> and the exercise of specific jurisdiction must be fair and reasonable.<sup>349</sup> On this last point, the court will consider various factors in evaluating fairness, including: (1) “the burden on the defendant”; (2) “the interests of the forum state”; (3) “the plaintiff’s interest in obtaining relief”; (4) “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies”; and (5) the states’ “shared interest[s] . . . in furthering fundamental substantive social policies.”<sup>350</sup> Where the other elements of specific jurisdiction are met, a defendant may only defeat jurisdiction on fairness grounds by marshaling a “compelling case.”<sup>351</sup> On the other hand, these fairness “considerations sometimes serve to establish the reasonableness of jurisdiction upon a lesser showing of minimum contacts than would otherwise be required.”<sup>352</sup>

These jurisdictional constructs provide standards for both litigants and lower courts regarding the personal jurisdiction analysis. Yet, the Supreme

<sup>344</sup> *Goodyear*, 131 S. Ct. at 2851.

<sup>345</sup> *Helicopteros*, 466 U.S. at 414-15.

<sup>346</sup> *See, e.g.*, *McGee v. Int’l Life Ins. Co.*, 355 U.S. 220, 223-24 (1957) (holding that even a single contact can be sufficient for specific jurisdiction).

<sup>347</sup> *Goodyear*, 131 S. Ct. at 2853 (“Adjudicatory authority is ‘specific’ when the suit ‘aris[es] out of or relate[s] to the defendant’s contacts with the forum.’” (alterations in original) (quoting *Helicopteros*, 466 U.S. at 414 n.8)); *Helicopteros*, 466 U.S. at 415-16 (noting that claims must “arise out of” or be “related to” defendant’s contacts for specific jurisdiction).

<sup>348</sup> *Hanson v. Denckla*, 357 U.S. 235, 253 (1958). This purposeful availment requirement protects parties from having to defend themselves against lawsuits in distant forums based solely on “‘random,’ ‘fortuitous,’ or ‘attenuated’ contacts.” *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985). An issue that the Supreme Court has grappled with is whether a defendant can purposefully avail itself of a forum state by placing products into the stream of commerce that ultimately are purchased by customers there. *See J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011) (plurality opinion); *Asahi Metal Indus. Co. v. Super. Ct.*, 480 U.S. 102 (1987). Notwithstanding multiple attempts, the Supreme Court has failed to agree on the parameters of the stream of commerce doctrine. *See, e.g.*, Patrick J. Borchers, J. McIntyre Machinery, *Goodyear*, and the *Incoherence of the Minimum Contacts Test*, 44 CREIGHTON L. REV. 1245 (2011). However, because the stream of commerce doctrine is not central to the thesis of this Article, it is unnecessary to discuss it in greater detail.

<sup>349</sup> *Asahi*, 480 U.S. at 113.

<sup>350</sup> *Id.* (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980)).

<sup>351</sup> *Burger King*, 471 U.S. at 477. Another theory of specific jurisdiction that the Supreme Court has articulated is the effects test. *See Calder v. Jones*, 465 U.S. 783 (1984). Under the effects test theory, defendants may be subject to personal jurisdiction in states where they intentionally cause injury. *Id.* at 789-90.

<sup>352</sup> *Burger King*, 471 U.S. at 477.

Court consistently has held that these are merely guideposts; bright-line rules concerning personal jurisdiction should be eschewed.<sup>353</sup> The ultimate decision whether personal jurisdiction lies ought to be made on a case-by-case basis considering the totality of the circumstances.<sup>354</sup> Despite this clear mandate from the Court, however, the Federal Circuit has adopted various special rules for personal jurisdiction in patent declaratory judgment actions.

## 2. Personal Jurisdiction and Cease-and-Desist Letters

While the facts giving rise to patent declaratory judgment actions vary, these litigation stories often involve similar plotlines. Assume Company X, the putative infringer, receives a cease-and-desist letter from Company Y, the patent owner, at Company X's headquarters in Los Angeles, California; the letter charges infringement and offers a license; after studying the patent, Company X decides it would like to seek a declaration of invalidity in federal court.<sup>355</sup> Under this scenario, Company X should have standing to sue (even under the Federal Circuit's restrictive *Myriad* test) because there was an explicit threat to sue and Company X produces an allegedly infringing product. The question then becomes, *where* may Company X sue?

Company X likely wants to sue in the U.S. District Court for the Central District of California, since that is where its headquarters are located.<sup>356</sup> But Company X may only sue in California if Company Y is subject to either general or specific jurisdiction there.<sup>357</sup> If Company Y has continuous and systematic contacts with California sufficient to render it "at home," general jurisdiction will lie.<sup>358</sup> The threshold for general jurisdiction is quite

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<sup>353</sup> See generally Christopher D. Cameron & Kevin R. Johnson, *Death of a Salesman? Forum Shopping and Outcome Determination Under International Shoe*, 28 U.C. DAVIS L. REV. 769, 834 (1995) (stating that, with respect to personal jurisdiction, the Supreme "Court has eschewed the opportunity to create definitive rules" and "has mandated case-by-case, fact-specific inquiry").

<sup>354</sup> See *World-Wide Volkswagen*, 444 U.S. at 292.

<sup>355</sup> *La Belle*, *supra* note 110, at 47.

<sup>356</sup> See *id.* at 53-57 (discussing the advantages of suing for declaratory relief at home); Moore, *supra* note 30, at 914 (concluding that putative infringers significantly increase their chance of invalidating patents by controlling the forum and timing of suit).

<sup>357</sup> Technically, the Central District of California also must be a proper venue for suit to proceed. However, venue is proper in any judicial district where any defendant resides, and a corporation resides in any judicial district in which it is subject to personal jurisdiction. 28 U.S.C.A. § 1391 (West 2012). Thus, when the patent owner is a corporation (which is almost always the case), the venue and personal jurisdiction inquiries collapse into one. See *La Belle*, *supra* note 110, at 69.

<sup>358</sup> See *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011).

high, however, so in most cases the party wishing to challenge the patent will have to rely on a theory of specific jurisdiction.<sup>359</sup>

At first blush, it seems that Company X could easily satisfy the basic tenets of the specific jurisdiction doctrine. The patent owner, Company Y, purposefully directed its activities at a California resident, Company X, by mailing the cease-and-desist letter to the Los Angeles headquarters; moreover, the claim for declaratory relief undoubtedly arises out of Company Y's activities in California. Indeed, the Federal Circuit has repeatedly admitted these circumstances "might be expected to support an assertion of specific jurisdiction."<sup>360</sup>

Yet, more than a decade ago, the Federal Circuit carved out an exception for cease-and-desist letters in the patent declaratory judgment context. In *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*,<sup>361</sup> the court held that a patent owner cannot subject itself to personal jurisdiction in a forum state by sending cease-and-desist letters.<sup>362</sup> The court grounded this exclusion on the fairness prong of the specific jurisdiction analysis:

Principles of fair play and substantial justice afford a [patent owner] sufficient latitude to inform others of its patent rights without subjecting itself to personal jurisdiction in a foreign forum . . . solely by informing a party who happens to be located there of suspected infringement. Grounding personal jurisdiction on such contacts alone would not comport with principles of fairness . . . [because it] would . . . provid[e] *disincentives for the initiation of settlement negotiations*.<sup>363</sup>

The Federal Circuit believed, in other words, that allowing the exercise of personal jurisdiction under these circumstances would discourage the settlement of patent litigation. And because it considered the policy favoring settlement "manifest," the court adopted a bright-line rule intended to promote that policy.<sup>364</sup>

In crafting this rule, the Federal Circuit never considered the other factors essential to the fairness inquiry, like the burden on the defendant, the forum state's interest in adjudicating the dispute, or the plaintiff's interest in obtaining convenient and effective relief. Nor did the Federal Circuit re-

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<sup>359</sup> This is particularly true after *Goodyear* where the Court held, among other things, that a defendant cannot subject itself to general jurisdiction in a forum state by continuously and systematically placing its products into the stream of commerce destined for the forum. *See id.* at 2855.

<sup>360</sup> *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1333 (Fed. Cir. 2008) (stating that cease-and-desist letters "might be expected to support an assertion of specific jurisdiction over the patentee because 'the letters are 'purposefully directed' at the forum and the declaratory judgment action 'arises out of' the letters'" (quoting *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1202 (Fed. Cir. 2003))); *Red Wing Shoe Co. v. Hockerson Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998) (same).

<sup>361</sup> 148 F.3d 1355 (Fed. Cir. 1998).

<sup>362</sup> *Id.* at 1360.

<sup>363</sup> *Id.* at 1360-61 (emphasis added).

<sup>364</sup> *Id.* at 1361.

quire the defendant to make a “compelling case” that the exercise of jurisdiction would be unfair as required by Supreme Court precedent.<sup>365</sup> Rather, the Federal Circuit implemented a per se rule that subsequent courts have followed without question despite the mischief it has caused.<sup>366</sup>

Having pronounced that cease-and-desist letters do not “count” for personal jurisdiction, the Federal Circuit then held that defendants must engage in “other activities” directed at the forum and related to the claim for the exercise of jurisdiction to be fair.<sup>367</sup> For many years, the Federal Circuit decided whether a defendant’s “other activities” were sufficient for jurisdiction on a case-by-case basis.<sup>368</sup> That has recently changed, though, and so now the Federal Circuit’s personal jurisdiction jurisprudence looks more exceptional than ever.

### 3. “Other Activities” Sufficient for Personal Jurisdiction

In the aftermath of *MedImmune*, many feared the Supreme Court’s decision would open the floodgates to patent declaratory judgment actions.<sup>369</sup> Some commentators contemplated solutions to this problem, such as the use of termination clauses in license agreements to discourage validity challenges.<sup>370</sup> Others undertook empirical research to weigh the actual impact of *MedImmune*.<sup>371</sup> While the precise consequences of *MedImmune* were uncertain, the consensus among scholars and practitioners was that it would dramatically alter the landscape of our patent system.<sup>372</sup>

Even the Federal Circuit believed, at least initially, that *MedImmune* was a game changer.<sup>373</sup> Since *MedImmune* lowered the bar for standing in patent declaratory judgment actions, the court recognized that fewer cases

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<sup>365</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477 (1985).

<sup>366</sup> *See La Belle*, *supra* note 110, at 85-90 (arguing that the promotion of settlement justification is flawed because the public benefits when patents are invalidated in court, not when patent disputes are settled out of court).

<sup>367</sup> *See, e.g., Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1202 (Fed. Cir. 2003).

<sup>368</sup> *See Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1334-36 (Fed. Cir. 2008) (summarizing prior case law).

<sup>369</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 146 (2007) (Thomas, J., dissenting) (arguing that the majority’s opinion opened the door for parties to seek advisory opinions because it “contain[ed] no limiting principle whatsoever”); Levine & Belle, *supra* note 157, at 494 & n.15 (collecting commentary predicting that *MedImmune* would open the floodgates).

<sup>370</sup> *See Dreyfuss & Pope*, *supra* note 197, at 1003; Alfred C. Server & Peter Singleton, *Licensee Patent Validity Challenges Following MedImmune: Implications for Patent Licensing*, 3 HASTINGS SCI. & TECH. L.J. 243, 417 (2011).

<sup>371</sup> Bleeker & O’Shaughnessy, *supra* note 297, at 401-02; Levine & Belle, *supra* note 157, at 494-95.

<sup>372</sup> Levine & Belle, *supra* note 157, at 494 n.15.

<sup>373</sup> *See supra* Part III.A.4 (discussing the Federal Circuit’s initial reaction to *MedImmune*).

would be dismissed for lack of subject matter jurisdiction.<sup>374</sup> But instead of accepting that fate, the Federal Circuit took steps to curb the effects of *MedImmune*. As discussed above, the court has backpedaled toward its pre-*MedImmune* bright-line test for standing.<sup>375</sup> Concomitantly, in a series of cases, the court significantly limited the specific jurisdiction doctrine in patent declaratory judgment actions by narrowly defining the type of “other activities” that subject a patent owner to suit in the challenger’s home state.<sup>376</sup> The Federal Circuit itself has acknowledged this relationship between the standing and personal jurisdiction doctrines in patent declaratory relief suits:

This [personal jurisdiction] inquiry should not be confused with the “case or controversy” requirement of the Declaratory Judgment Act. While the Supreme Court recently altered the subject matter jurisdiction landscape by rejecting the “reasonable apprehension of suit” test, the independent requirement of personal jurisdiction over the defendant remains an important and independent limit on the power of the federal courts. Indeed, *the extent to which declaratory judgment jurisdiction may be more easily found makes the personal jurisdiction inquiry that much more important.*<sup>377</sup>

The first case in this series was *Avocent Huntsville Corp. v. Aten International Co.*<sup>378</sup> In that case, the patent owner, Aten, was a Taiwanese company that competed with Avocent, a Delaware corporation headquartered in Alabama, in the manufacture and sale of keyboard-video-mouse switches.<sup>379</sup> Aten sent a cease-and-desist letter to Avocent’s headquarters, Avocent sued for declaratory relief in Alabama, and Aten moved to dismiss for lack of personal jurisdiction.<sup>380</sup> Cognizant of the Federal Circuit’s special rules for cease-and-desist letters, Avocent alleged that Aten engaged in “other activities” in Alabama, namely significant commercial sales of its patented products in brick and mortar stores like Best Buy and CompUSA, as well as through internet retailers.<sup>381</sup>

In opposing Aten’s motion, Avocent relied on *Viam Corp. v. Iowa Export-Import Trading Co.*,<sup>382</sup> a closely analogous case. Like *Avocent*, *Viam* involved a declaratory relief action against a foreign patent owner whose only contacts with the forum state included sending a cease-and-desist letter

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<sup>374</sup> See *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007); *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1338-39 (Fed. Cir. 2007).

<sup>375</sup> See *supra* Part III.A.4 (discussing the Federal Circuit’s post-*MedImmune* standing doctrine).

<sup>376</sup> *Radio Sys. Corp. v. Accession, Inc.*, 638 F.3d 785, 789-91 (Fed. Cir. 2011); *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1019-20 (Fed. Cir. 2009); *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1334-36 (Fed. Cir. 2008).

<sup>377</sup> *Avocent*, 552 F.3d at 1332 n.2 (emphasis added) (citations omitted).

<sup>378</sup> 552 F.3d 1324 (Fed. Cir. 2008).

<sup>379</sup> *Id.* at 1327.

<sup>380</sup> *Id.* at 1327-28.

<sup>381</sup> *Id.* at 1327.

<sup>382</sup> 84 F.3d 424 (Fed. Cir. 1996).

to the putative infringer and selling and marketing products covered by the patent-in-suit.<sup>383</sup> Preliminarily, the *Viam* court determined that the personal jurisdiction analysis in patent declaratory judgment actions should essentially be the same as in patent infringement actions.<sup>384</sup> Applying that standard, the Federal Circuit upheld jurisdiction because the patent owner had “purposefully directed its activities at the forum State” and had “purposefully initiated the interaction with Viam that resulted in the instant suit.”<sup>385</sup> The court further held that the defendant failed to make a “compelling case” that the exercise of jurisdiction would be unconstitutionally unfair.<sup>386</sup> To the contrary, the court explained, fairness weighed in favor of exercising jurisdiction “[o]therwise, out-of-state corporations would be able to set up domestic fronts through which they could do business without subjecting their patents to the rigorous scrutiny demanded by United States patent law.”<sup>387</sup>

Even though *Viam* was squarely on point, the *Avocent* court took the “other activities” doctrine in a whole new direction.<sup>388</sup> In a divided two-to-one decision,<sup>389</sup> the panel held that a patent owner’s sales within the forum

<sup>383</sup> *Id.* at 426-27.

<sup>384</sup> *Id.* at 428 (“All the reasons for adopting and applying the stream of commerce theory to the question of personal jurisdiction over an out-of-state alleged infringer as defendant, fully explored in *Beverly Hills Fan*, are equally applicable to the same question regarding an out-of-state patentee as defendant.”).

<sup>385</sup> *Id.* at 429.

<sup>386</sup> *Id.* at 429-30.

<sup>387</sup> *Id.* at 430.

<sup>388</sup> *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1345 (Fed. Cir. 2008) (Newman, J., dissenting) (arguing that the majority’s decision conflicts with Supreme Court and Federal Circuit precedent). The *Avocent* majority claims that the patent owner in *Viam* had other contacts with the forum state, namely an infringement suit in California against another competitor over the same patent. *Id.* at 1335. It is true that the Federal Circuit mentioned another California action in the fairness portion of its opinion. *See Viam*, 84 F.3d at 430. However, in order for that other lawsuit to be relevant to the contacts analysis, it must have been initiated *before* November 10, 1993—the day Viam sued for declaratory relief—“as only contacts made prior to the commencement of suit qualify for [the] personal jurisdiction analysis.” *Cascade Yarns, Inc. v. Knitting Fever, Inc.*, No. C10-861 RSM, 2011 WL 31862, at \*7 (W.D. Wash. Jan. 3, 2011); *see also St. Paul Mercury Indem. Co. v. Red Cab Co.*, 303 U.S. 283, 289-90 (1938) (holding that events occurring after the institution of suit do not affect jurisdiction). Nothing from the Federal Circuit’s or district court’s opinions indicates that the patent owner’s other infringement suit was filed before November 10, 1993. *See Viam*, 84 F.3d 424; *Viam Corp. v. Iowa Exp.-Imp. Trading Co.*, No. CV 93-6816 RAP (JGx), 1995 WL 544971 (C.D. Cal. Feb. 14, 1995), *rev’d in part, vacated in part* by 84 F.3d 424 (Fed. Cir. 1996). Indeed, neither court even mentioned this other lawsuit when analyzing defendant’s contacts with California, which strongly suggests that the suit was filed after Viam’s declaratory judgment action. And finally, based on independent research, this Author has discovered only one other suit filed by the patent owner in California, and it was filed more than a year *after* Viam’s declaratory judgment action. *See Complaint, Spal S.R.L. v. Tesor Tech. Corp.*, 79 F.3d 1166 (Fed. Cir. 1996) (No. 2:95-cv-02013-RAP-JG). Thus, the majority’s *ex post* attempts to distinguish *Avocent* from *Viam* fall short.

<sup>389</sup> Judge Linn, joined by Judge Schall, authored the majority opinion, while Judge Newman wrote a thorough, well-reasoned, and persuasive dissent. *Avocent*, 552 F.3d at 1326.



state are per se irrelevant to the minimum contacts analysis in patent declaratory judgment actions.<sup>390</sup> This is true, the majority claimed, even when the products sold in the forum state are covered by the patent(s) in suit because such contacts “do not, in the jurisdictional sense, relate in any material way to the patent right that is at the center of any declaratory judgment claim for . . . invalidity.”<sup>391</sup> In simple terms, the patent owner’s commercial activities did not give rise to or relate to the putative infringer’s claim for declaratory relief, and therefore the nexus requirement of the specific jurisdiction analysis was not met.<sup>392</sup>

The court then proceeded to announce a new “enforcement activities” rule: only a patent owner’s activities related to the enforcement of its patent within the forum state can give rise to specific jurisdiction in a declaratory judgment action.<sup>393</sup> What is meant by enforcement activities? Well, of course, sending a cease-and-desist letter is an enforcement activity, but the Federal Circuit previously exempted that type of contact from the personal jurisdiction analysis.<sup>394</sup> So, what does that leave? According to the *Avocent* majority, enforcement activities include: (1) judicial or extra-judicial patent enforcement within the forum, such as prior infringement suits involving the same patent; and (2) “exclusive license agreement[s] or other undertaking[s] which impose[] enforcement obligations with a party residing or reg-

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<sup>390</sup> *Id.* at 1336. The *Avocent* court limited its decision to specific jurisdiction, stating that “it remains unclear whether contacts based solely on the ‘stream of commerce’ may suffice to establish general jurisdiction.” *Id.* at 1331. After the Supreme Court’s recent decision in *Goodyear*, however, it is clear that the stream of commerce doctrine is limited to the specific jurisdiction context and will not support the exercise of general jurisdiction even if a significant quantity of defendant’s products are entering the forum state. See *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011).

<sup>391</sup> *Avocent*, 552 F.3d at 1336. But see Marta R. Vanegas, *You Infringed My Patent, Now Wait Until I Sue You: The Federal Circuit’s Decision in Avocent Huntsville Corp v. Aten International Co.*, 92 J. PAT. & TRADEMARK OFF. SOC’Y 371, 390-91 (2010) (arguing that patentee’s sales in the forum are relevant to proving validity of the patent).

<sup>392</sup> See *Avocent*, 552 F.3d at 1332. The majority reasoned as follows:

[I]n the context of an action for declaratory judgment . . . the patentee is the defendant, and the claim asserted by the plaintiff relates to the “wrongful restraint [by the patentee] on the free exploitation of non-infringing goods . . . [such as] the threat of an infringement suit.” Thus, the nature of the claim in a declaratory judgment action is “to clear the air of infringement charges.” Such a claim neither directly arises out of nor relates to the making, using, offering to sell, selling, or importing of arguably infringing products in the forum, but instead arises out of or relates to the activities of the defendant patentee in enforcing the patent or patents in suit.

*Id.* (second and third alteration in the original) (quoting *Red Wing Shoe Co. v. Hockerson Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998)).

<sup>393</sup> *Id.*

<sup>394</sup> See *supra* Part III.B.2 (discussing the Federal Circuit’s treatment of cease-and-desist letters for jurisdictional purposes).

ularly doing business in the forum.”<sup>395</sup> The opinion leaves it for future cases to determine what other activities, if any, might qualify as enforcement activities for jurisdictional purposes.

Not long after *Avocent*, the Federal Circuit was presented with that opportunity in *Autogenomics, Inc. v. Oxford Gene Technology Ltd.*<sup>396</sup> Mirroring *Avocent*, in *Autogenomics* a foreign patent owner threatened a California company with an infringement suit, the putative infringer filed a declaratory judgment action in California, and the patentee moved to dismiss for lack of personal jurisdiction.<sup>397</sup> In *Autogenomics*, however, the nature of the patent owner’s activities in the forum state was much more pervasive. First, after the initial threat by the patent owner (Oxford), the parties in *Autogenomics* engaged in rather lengthy licensing negotiations.<sup>398</sup> Besides exchanging correspondence, two Oxford representatives flew to California to meet with representatives of *Autogenomics*.<sup>399</sup> Second, Oxford entered into nonexclusive license agreements with other California companies regarding the patent-in-suit.<sup>400</sup> Third, Oxford representatives attended several tradeshows in California concerning the same technology involved in the declaratory judgment action.<sup>401</sup> Finally, as in *Avocent*, the patent owner sold products in California related to the technology covered by the patent-in-suit.<sup>402</sup>

Despite these significant forum-related activities, *Autogenomics* concluded that the patent owner was not subject to personal jurisdiction in California because none of these contacts constituted “enforcement activities” under *Avocent*.<sup>403</sup> While the cease-and-desist letter and the licensing negotiations were technically enforcement activities, they could not be considered for policy reasons.<sup>404</sup> As for the other contacts—nonexclusive licenses, attendance at trade shows, and sales of relevant products—the *Autogenomics* majority held that they were not “enforcement activities.”<sup>405</sup> Before coming to that conclusion, though, the majority paused to comment on the policy

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<sup>395</sup> *Avocent*, 552 F.3d at 1334.

<sup>396</sup> 566 F.3d 1012 (Fed. Cir. 2009).

<sup>397</sup> *Id.* at 1014-15.

<sup>398</sup> *Id.*

<sup>399</sup> *Id.*

<sup>400</sup> *Id.* at 1015.

<sup>401</sup> *Id.*

<sup>402</sup> *Autogenomics*, 566 F.3d at 1015-16.

<sup>403</sup> *Id.* at 1021.

<sup>404</sup> *Id.* at 1019 (stating that license negotiations are analogous to cease-and-desist communications and, thus, excluded from the personal jurisdiction analysis); *see also supra* Part III.B.2 (discussing cease-and-desist letters in the personal jurisdiction analysis). *But see* *Elecs. for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1351 (Fed. Cir. 2003) (holding that patentee was subject to personal jurisdiction in California because it hired a California-based attorney to negotiate a patent license).

<sup>405</sup> *Autogenomics*, 566 F.3d at 1020-21. Like *Avocent*, the panel in *Autogenomics* was divided. Judges Moore and Gettleman (a district court judge sitting by designation) were in the majority, and Judge Newman again wrote a dissenting opinion. *Id.* at 1014.

implications of *Avocent*: “[W]e too are concerned that foreign patentees like Oxford may engage in significant commercialization and licensing efforts in a state while benefiting from the shelter of the *Avocent* rule.”<sup>406</sup> The *Autogenomics* court also questioned “whether *Avocent* went further than *Red Wing Shoe* required.”<sup>407</sup> Nevertheless, *Avocent* was controlling law that the panel was compelled to follow.<sup>408</sup>

The final case in this jurisprudential line is *Radio Systems Corp. v. Accession, Inc.*<sup>409</sup> In *Radio Systems*, the patentee (a New Jersey corporation) and the putative infringer (a Tennessee corporation), who were competitors in the pet door business, engaged in extensive licensing negotiations over a three-year period regarding U.S. Patent No. 7,207,141, or “the ‘141 patent.”<sup>410</sup> During those negotiations, the patentee discovered that the PTO issued a notice of allowance for a patent on one of Radio Systems’ pet door devices.<sup>411</sup> The patentee contacted the PTO to inform the examiner of the ‘141 patent, and consequently the PTO withdrew the notice of allowance.<sup>412</sup> Radio Systems then filed a declaratory judgment action in the Eastern District of Tennessee, and the patent owner moved to dismiss for lack of personal jurisdiction.<sup>413</sup>

The Federal Circuit held at the outset that the licensing negotiations could not be considered for purposes of personal jurisdiction under *Avocent* and *Autogenomics*.<sup>414</sup> The real question, then, was whether the patentee engaged in enforcement activities by contacting the PTO about Radio Systems’ patent application.<sup>415</sup> The court did not decide if this call to the PTO qualified as an enforcement activity, because it focused instead on where the call took place (i.e., from the patent owner’s lawyer in New Jersey to the PTO in Virginia).<sup>416</sup> The plaintiff argued that the court’s focus was misdirected—what matters is whether the patentee’s enforcement activities were targeted or intended to affect a party in Tennessee, not whether the activities actually took place in Tennessee.<sup>417</sup> Although the Supreme Court has embraced this type of “effects test” theory of jurisdiction,<sup>418</sup> the Federal Circuit rejected it out of hand and concluded “that enforcement activities

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<sup>406</sup> *Id.* at 1021.

<sup>407</sup> *Id.* at 1020 n.1.

<sup>408</sup> *Id.* at 1021.

<sup>409</sup> 638 F.3d 785 (Fed. Cir. 2011).

<sup>410</sup> *Id.* at 787-88.

<sup>411</sup> *Id.* at 787.

<sup>412</sup> *Id.* at 788.

<sup>413</sup> *Id.*

<sup>414</sup> *Id.* at 790.

<sup>415</sup> *Radio Sys.*, 638 F.3d at 791-92.

<sup>416</sup> *Id.* at 792.

<sup>417</sup> *Id.*

<sup>418</sup> *See supra* note 351 (discussing the effects test theory of personal jurisdiction).

taking place outside the forum state do not give rise to personal jurisdiction in the forum.<sup>419</sup>

Together, *Avocent*, *Autogenomics*, and *Radio Systems* have whittled away the scope of personal jurisdiction in patent declaratory judgment actions to almost nothing. Even before these cases, it was difficult to prove personal jurisdiction because of the exception for cease-and-desist letters,<sup>420</sup> but now it is close to impossible. Unless a patent owner is subject to general jurisdiction,<sup>421</sup> the only way a putative infringer may sue at home is if the patent owner has previously filed infringement actions in the state involving the same patent (or, possibly, the same technology), or if the patent owner has entered an exclusive license agreement in the forum state that obligates the licensee to enforce the patent.<sup>422</sup> Parties wishing to challenge patents who cannot satisfy these criteria may very well opt not to pursue declaratory relief at all because their only choice is to sue in a distant and inconvenient forum.<sup>423</sup>

So, in the end, the Federal Circuit's jurisprudence with respect to standing and personal jurisdiction shares at least one important commonality—the obstruction of affirmative patent validity challenges. Since the Supreme Court has consistently held that suits challenging suspect patents should be facilitated and encouraged,<sup>424</sup> this invites the obvious question why the Federal Circuit has headed in the opposite direction. A simple answer is that the Federal Circuit is a pro-patentee court.<sup>425</sup> But this Article proposes a different explanation in the next Part—that the Federal Circuit's

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<sup>419</sup> *Radio Sys.*, 638 F.3d at 792.

<sup>420</sup> See *La Belle*, *supra* note 110, at 82.

<sup>421</sup> In *Goodyear*, the Supreme Court announced a revised standard that arguably will make it more difficult to establish general jurisdiction going forward since the defendant will have to be “essentially at home in the forum [s]tate.” *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011).

<sup>422</sup> *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1334-35 (Fed. Cir. 2008).

<sup>423</sup> See *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1027-28 (Fed. Cir. 2009) (Newman, J., dissenting) (“It is not explained why a California plaintiff should have to resort to a distant forum, which is not alleged to have meaningful contacts with either party, to resolve a dispute that centers upon actions by both the plaintiff and the foreign patentee in the state of California.”); *La Belle*, *supra* note 110, at 61-62 (arguing that restrictive rules regarding personal jurisdiction will discourage patent validity challenges).

<sup>424</sup> See *supra* Part II.B (discussing the long line of Supreme Court cases encouraging patent validity challenges).

<sup>425</sup> See Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444, 1459 (2010) (“One view is that too many Federal Circuit decisions are decidedly pro-patent.”); Peter S. Menell, *Forty Years of Wondering in the Wilderness and No Closer to the Promised Land: Bilski's Superficial Textualism and the Missed Opportunity to Return Patent Law to Its Technology Mooring*, 63 STAN. L. REV. 1289, 1306-07 (2011) (“[P]ublic choice theory and empirical evidence suggest that the Federal Circuit, as a court specializing in patent adjudication, would be pro-patentee and inclined toward expanding the scope of patentable subject matter.”).

doctrine stems from its inherently flawed view of patent validity disputes as private, rather than public, law adjudication.

#### IV. PATENT VALIDITY CHALLENGES: A PUBLIC LAW APPROACH

The dichotomy between private law and public law is not absolute, as there are legal regimes that straddle both worlds. Patent infringement claims are a good example. The purpose of our patent system is public in nature—to promote the progress of science and the useful arts for the benefit of our citizenry.<sup>426</sup> Yet, to achieve that end, we grant inventors certain private rights,<sup>427</sup> we proscribe any violation of those rights,<sup>428</sup> and we rely exclusively on private parties to police and enforce those rights through civil infringement actions.<sup>429</sup> Thus, patent infringement is a crossbreed of private and public law.<sup>430</sup>

Patent validity disputes are of a different order, however. Questions of validity, unlike infringement, lie at the heart of our patent system. Where a patent is invalid, the quid pro quo of our patent system breaks down because the inventor gets his patent, but society gets nothing in return.<sup>431</sup> So, in a patent validity dispute, the issue is whether the government engaged in wrongful conduct by granting the patent, not whether someone's private rights were violated. Thus, as Part I of this Article demonstrated, patent validity challenges share much in common with Professor Chayes's paradigm for public law adjudication.<sup>432</sup>

Accepting as true that patent validity challenges are public law litigation, what does that mean going forward? This Article does not propose that the Federal Circuit adopt special rules for public law litigation, generally, or patent validity disputes, specifically. Nor does it suggest exempting validity challenges from transsubstantive doctrines like standing and personal jurisdiction. My proposal is more modest. This Part argues that the Federal Circuit improperly views patent declaratory judgment actions through a private law lens, and proposes ways for the court to effect a perspective shift. Once

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<sup>426</sup> U.S. CONST. art. I, § 8, cl. 8; *see also* Sichelman, *supra* note 75, at 9 (“In the United States, the goal of patent law is to promote technological innovation.”).

<sup>427</sup> *See* 35 U.S.C. § 102 (2006) (providing the requirements for a patent grant).

<sup>428</sup> *See* 35 U.S.C. § 271(a) (“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).

<sup>429</sup> *See* Irina D. Manta, *The Puzzle of Criminal Sanctions for Intellectual Property Infringement*, 24 HARV. J.L. & TECH. 469, 470 (2011) (explaining that copyright and trademark infringement are subject to criminal sanctions imposed by the government, but patent infringement is not).

<sup>430</sup> *See* Sichelman, *supra* note 75, at 11-12.

<sup>431</sup> *See supra* Part I.B (discussing the impact of invalid patents).

<sup>432</sup> *See supra* Part I.B (demonstrating that patent validity disputes are public law adjudication).

the Federal Circuit evaluates standing and personal jurisdiction from a public law perspective, the flawed doctrinal architecture should self-correct.

### A. *The Private Law View of Validity Challenges*

The distinction between private and public law adjudication has been discussed at length in the literature.<sup>433</sup> Courts, on the other hand, rarely (if ever) announce whether they are treating certain disputes as matters of public or private law, and the Federal Circuit is no exception. But a close look at the Federal Circuit's declaratory judgment jurisprudence reveals the court's bias toward private law judging of patent validity disputes.

#### 1. Formalistic Rules

It is no secret that the Federal Circuit favors formalistic rules to more holistic legal standards when deciding questions of patent law.<sup>434</sup> The Federal Circuit has taken a bright-line approach to patentable subject matter, obviousness, injunctive relief, claim construction, and prosecution history estoppel.<sup>435</sup> Part III of this Article showed that the Federal Circuit's decision-making rubric for standing and personal jurisdiction in patent declaratory judgment actions is similarly formalistic, and so those can be added to the list as well. The literature on the topic of formalism is rich, with scholars debating the benefits and detriments of this trend at the Federal Circuit.<sup>436</sup> The aim of this Article is not to wade into this debate, but to ask what this formalistic trend can teach us about the Federal Circuit's outlook on patent validity challenges.

While disagreement abounds as to the virtue of these bright-line rules, there is consensus about their *objective*—they are intended to enhance “certainty, predictability, and doctrinal stability” in the law.<sup>437</sup> The idea is that

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<sup>433</sup> See Chayes, *supra* note 58; Chayes, *supra* note 1; Fiss, *supra* note 52; Resnick, *supra* note 49; Charles F. Sabel & William H. Simon, *Destabilization Rights: How Public Law Litigation Succeeds*, 117 HARV. L. REV. 1015 (2004).

<sup>434</sup> See John F. Duffy, *Rules and Standards on the Forefront of Patentability*, 51 WM. & MARY L. REV. 609, 611-12 (2009); Peter Lee, *Patent Law and the Two Cultures*, 120 YALE L.J. 2, 25-26 (2010); John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 773-74 (2003).

<sup>435</sup> *Bilski v Kappos*, 130 S. Ct. 3218, 3227 (2010) (holding that the Federal Circuit's “machine-or-transformation test is not the sole test” to prove patentable subject matter); Lee, *supra* note 434, at 29-40 (discussing the Federal Circuit's formalistic approach to various areas of patent law).

<sup>436</sup> See Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1790 (2011) (“Several commentators have bemoaned the Federal Circuit's embrace of rule formalism.”); Lee, *supra* note 434, at 5-7 (arguing that the Federal Circuit's use of formalistic rules mitigates the burden on lay judges and juries grappling with unfamiliar technologies in patent cases); Thomas, *supra* note 434, at 797-809 (exploring various negative consequences flowing from the Federal Circuit's formalistic approach).

<sup>437</sup> Thomas, *supra* note 434, at 808.

marking clear boundaries enables private parties to conduct themselves within the limits of the law.<sup>438</sup> “[R]ules are defined . . . [by] the ease with which private parties can predict how the law will apply to their conduct.”<sup>439</sup>

The Federal Circuit’s categorical rules as to standing and personal jurisdiction are meant for exactly this purpose. With respect to standing, patent owners know that as long as no affirmative acts are directed at the plaintiff, there will be no standing to sue under *Myriad*.<sup>440</sup> And the Federal Circuit’s personal jurisdiction rules have similar effects—patent owners know that as long as they do not engage in any qualifying enforcement activities within a forum state, they will not be subject to a declaratory judgment suit there.<sup>441</sup> These formalistic requirements operate conjunctively to help patent owners predict if, when, and where they might be sued for declaratory relief.

Formalism aspires to improve predictability and certainty by regulating the conduct of private parties, and so it maps onto the private law model of adjudication.<sup>442</sup> Yet, patent validity disputes do not concern private-party conduct; the question instead is whether the *government* engaged in wrongful conduct by granting the patent-in-suit.<sup>443</sup> What is more, patent validity disputes implicate the rights of many besides the private parties before the court—competitors, consumers, and the public at large all have a stake in the outcome of these suits.<sup>444</sup> Thus, the Federal Circuit’s trend toward formalism evidences the court’s inherently inaccurate view of patent validity challenges as private law, rather than public law, adjudication.

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<sup>438</sup> See Joseph Raz, *Legal Principles and the Limits of Law*, 81 YALE L.J. 823, 841 (1972) (“[I]t is on the whole wise legal policy to use rules as much as possible for regulating human behavior because they are more certain than [standards].”); Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. CHI. L. REV. 1175, 1179 (1989) (“[A]nother obvious advantage of establishing as soon as possible [clear and definite rules]: predictability. . . . Rudimentary justice requires that those subject to the law must have the means of knowing what it prescribes.”).

<sup>439</sup> 5 ENCYCLOPEDIA OF LAW AND ECONOMICS: THE ECONOMICS OF CRIME AND LITIGATION 513 (Boudewijn Bouckaert & Gerrit De Geest eds., 2000).

<sup>440</sup> See *supra* Part III.A.4 (discussing the impact of *Myriad* on standing in patent declaratory judgment actions).

<sup>441</sup> See *supra* Part III.B (discussing the Federal Circuit’s personal jurisdiction jurisprudence in the patent declaratory judgment context).

<sup>442</sup> See Michael C. Dorf, *Legal Indeterminacy and Institutional Design*, 78 N.Y.U. L. REV. 875, 926 (2003) (“In private law, formalism is proposed as a means of providing economic actors with clear end-game rules that reduce uncertainty and promote efficiency.”); Jonathan Yovel, *Relational Formalism and the Construction of Financial Instruments*, 48 AM. BUS. L.J. 371, 402-03 (2011) (“[I]t is exactly the typical reliance relations involved that may require a stricter brand of formalism in some areas of private law.”).

<sup>443</sup> See *supra* Part I.B (expounding on the public law attributes of patent validity disputes).

<sup>444</sup> See *id.*

## 2. Litigant-Centricity

Another indicator of the Federal Circuit's private law bias in patent declaratory judgment actions is what I call the court's "litigant-centricity." Litigant-centricity refers to the tendency of the Federal Circuit to concentrate its standing and personal jurisdiction inquiries exclusively on the plaintiff and defendant before the court without regard for other parties impacted by the litigation. This concept of litigant-centricity, I argue, is rooted in private law theory.<sup>445</sup>

Litigant-centricity is best elucidated by example. Starting with standing, the Federal Circuit's test requires proof of two things: (1) an affirmative act directed at the *plaintiff* by the *patentee* related to the enforcement of patent rights; and (2) meaningful preparation by the *plaintiff* to conduct potentially infringing activity.<sup>446</sup> Both of these questions fix on the individual litigants, either alone or in relationship to each other. Yet, the Federal Circuit's test blatantly ignores the public's interest in patent validity disputes.

Even before issuing its decision in *Myriad*, the Federal Circuit revealed this litigant-centric view of standing during oral arguments. In response to plaintiffs' argument that potential competitors should have standing to challenge bad patents, Judge Kimberly Moore asked:

Do you not recognize the profound impact that [it] would have on our patent system if anyone who was ready, willing, and able to compete tomorrow could bring a [declaratory judgment] action against the patentee in any forum of their choosing without any affirmative act directed at all towards them by the patentee?<sup>447</sup>

And Judge Moore seemed equally troubled by the district judge's decision to afford standing to consumers: "[T]o reach individual people who want cheaper access to products seems to me . . . so broad as to allow any person that wants a cheaper product in any case to sue . . . Apple and Microsoft and everybody else would be sued by every consumer out there."<sup>448</sup> This Article will address Judge Moore's concerns shortly, but for now these excerpts are meant to highlight the litigant-centricity of the court's standing

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<sup>445</sup> See L. RAY PATTERSON & STANLEY F. BIRCH, JR., A UNIFIED THEORY OF COPYRIGHT (Craig Joyce ed., 2009), printed in 46 HOUS. L. REV. 215, 394 (2009) ("The problem with privatizing copyright law is that private law is limited to the interests of the parties."); Michael Wells, *Constitutional Remedies, Section 1983 and the Common Law*, 68 MISS. L.J. 157, 192-93 (1998) (noting the private law's focus on the parties to the lawsuit).

<sup>446</sup> *Ass'n for Molecular Pathology v. PTO*, 653 F.3d 1329, 1343 (Fed. Cir. 2011), vacated *sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012).

<sup>447</sup> Oral Argument at 31:22, *Molecular Pathology*, 653 F.3d 1329 (No. 2010-1406) (Apr. 4, 2011 recording), available at <http://www.cafc.uscourts.gov/oral-argument-recordings/2010-1406/all>.

<sup>448</sup> *Id.* at 9:07.



analysis. The court is worried only about patentees and how they might be affected by relaxed standing requirements. There is no mention of the private attorney general plaintiffs or the social welfare, even though the Supreme Court has long recognized the “strong public interest in permitting accused infringers to challenge invalid or unenforceable patents.”<sup>449</sup> In short, the Federal Circuit has implemented a private law model of standing.<sup>450</sup>

The court’s approach to personal jurisdiction is similarly litigant-centric. The ordinary personal jurisdiction rubric inquires about the defendant’s contacts with the forum state, yet it leaves room for other considerations like fairness and reasonableness.<sup>451</sup> The Federal Circuit’s rigid and inflexible test, on the other hand, is singularly focused on the parties before the court. Take, for instance, the Federal Circuit’s exemption of cease-and-desist letters from the minimum contacts analysis.<sup>452</sup> The court crafted this exemption in order to promote the out-of-court settlement of patent disputes.<sup>453</sup> While grounding this exemption in fairness,<sup>454</sup> the court was only concerned with what was fair for the parties, not the consuming public. “[S]ettlement may advantage the private parties involved in the case, [but] the real benefit to the public comes when patent cases are litigated because that is the only way to invalidate bad patents.”<sup>455</sup>

The Federal Circuit’s litigant-centricity is further demonstrated by its more recent pronouncement that “enforcement activities” are the *sine qua non* of personal jurisdiction in suits affirmatively testing patent validity.<sup>456</sup> This new test fixates on the parties, particularly the patent owner, and pays no regard to the public’s interest or other principles of fairness. Indeed, the court itself has admitted that this test raises concerns that nonresident patentees may engage in and benefit from significant conduct in a forum state,

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<sup>449</sup> *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1350 (Fed. Cir. 2007) (Dyk, J., dissenting) (citing a long line of Supreme Court decisions).

<sup>450</sup> See Raymond H. Brescia, *On Public Plaintiffs and Private Harms: The Standing of Municipalities in Climate Change, Firearms, and Financial Crisis Litigation*, 24 NOTRE DAME J.L. ETHICS & PUB. POL’Y 7, 8 (2010) (defining a “private-law model” of standing as one that espouses a narrow, traditional view of standing focusing on the individual litigant before the court); Hessick, *supra* note 237, at 296-99 (describing the private rights model of standing).

<sup>451</sup> See, e.g., *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

<sup>452</sup> See, e.g., *Red Wing Shoe Co. v. Hockerson Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir. 1998).

<sup>453</sup> See *supra* Part III.B.2 (discussing the Federal Circuit’s justification for this exemption from standard personal jurisdiction doctrine).

<sup>454</sup> See, e.g., *Red Wing Shoe*, 148 F.3d at 1360-61 (holding that it would not comport with principles of fairness to ground jurisdiction in cease-and-desist letters alone).

<sup>455</sup> *La Belle*, *supra* note 110, at 88.

<sup>456</sup> See *supra* Part III.B.3 (explaining the Federal Circuit’s recent narrowing of the personal jurisdiction doctrine in patent declaratory judgment suits).

yet still be shielded from suits challenging their patents.<sup>457</sup> Such a construct has considerable social welfare implications, as it means fewer suspect patents will be challenged and invalidated in court. But since the Federal Circuit regards declaratory judgment actions as private law disputes, the only interests that matter to it are those of the individual litigants.<sup>458</sup>

The bottom line is that the Federal Circuit's unsound approach to standing and personal jurisdiction is predicated on its myopic view of patent declaratory judgment actions as private law disputes. What is needed, then, is a shift in perspective to encompass the public good. The Supreme Court, fortunately, has already provided the framework for this shift, and so implementation is all that is left for the Federal Circuit.

## B. *The Public Law View of Validity Challenges*

It admittedly would be difficult to persuade the Federal Circuit that, because patent validity disputes are public law adjudication, it ought to completely overhaul its standing and personal jurisdiction jurisprudence in declaratory judgment actions. Such a radical proposal is unnecessary, however, because the Supreme Court's current standards make this perspective shift relatively easy. For both standing and personal jurisdiction, the Court has embraced flexible, totality-of-the-circumstances standards that require consideration of various factors, including the public good.

### 1. Standing in Declaratory Judgment Actions

In *MedImmune*, the Supreme Court held that questions of standing in patent declaratory judgment actions must be evaluated on a case-by-case basis.<sup>459</sup> The inquiry “‘is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’”<sup>460</sup> No doubt *MedImmune* contemplates serious consideration of the public interest in this totality-of-the-

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<sup>457</sup> *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1021 (Fed. Cir. 2009) (“[W]e too are concerned that foreign patentees like Oxford may engage in significant commercialization and licensing efforts in a state while benefiting from the shelter of the *Avocent* rule.”); see also *Viam Corp. v. Iowa Exp.-Imp. Trading Co.*, 84 F.3d 424, 429-30 (Fed. Cir. 1996) (explaining that fairness weighs in favor of exercising jurisdiction “[o]therwise, out-of-state corporations would be able to set up domestic fronts through which they could do business without subjecting their patents to the rigorous scrutiny demanded by United States patent law”).

<sup>458</sup> Cf. *PATTERSON & BIRCH*, *supra* note 445, at 394 (“The problem with privatizing copyright law is that private law is limited to the interests of the parties.”).

<sup>459</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007).

<sup>460</sup> *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

circumstances analysis.<sup>461</sup> The Supreme Court has long recognized the social welfare benefit of affirmative patent challenges and has consistently adopted legal standards that encourage and support these suits.<sup>462</sup> In the same vein, *MedImmune* relaxed standing requirements in order to facilitate patent declaratory judgment actions. *MedImmune*, therefore, should be seen as a continuation and extension of these earlier Supreme Court cases that make social welfare a clear priority in patent validity disputes.

Notably, in at least one other context, the Supreme Court defers to the public good when deciding questions of standing. In First Amendment cases, the Court relaxes traditional standing requirements so that third parties may challenge vague or overbroad statutes.<sup>463</sup> The concern justifying this “overbreadth doctrine” is that vague statutes could have a chilling effect on speech, meaning citizens might censor themselves to avoid criminal prosecution.<sup>464</sup> An analogy can be drawn here to invalid patents. Invalid patents, like overbroad statutes, have a chilling effect on conduct.<sup>465</sup> Just as speakers may censor themselves for fear of criminal prosecution, competitors may refrain from manufacturing and selling certain products because they fear an infringement suit. And while the overbreadth doctrine has traditionally been limited to First Amendment cases,<sup>466</sup> it is arguably appropriate in patent cases where important constitutional rights are at stake.<sup>467</sup>

Now assuming the Federal Circuit accepts this invitation and relaxes standing, what to make of Judge Moore’s concerns about the “profound impact” this would have on our patent system?<sup>468</sup> She warns about potential competitors suing “in any forum of their choosing without any affirmative act directed at all towards them by the patentee” and predicts that compa-

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<sup>461</sup> See *Autogenomics*, 566 F.3d at 1027 (Newman, J., dissenting) (“The evolving law under *MedImmune* facilitates challenge to adversely held patents.”); *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1350 (Fed. Cir. 2007) (Dyk, J., dissenting) (citing the long line of Supreme Court decisions, including *MedImmune*, holding that “[t]here is a strong public interest in permitting accused infringers to challenge invalid or unenforceable patents”); *Dreyfuss & Pope*, *supra* note 197, at 973 (“*MedImmune* appears to create new avenues for courts to police the implementation of patent law and to release advances that should not have been patented into the public domain.”).

<sup>462</sup> See *supra* Part II.B (discussing the long line of Supreme Court cases encouraging and facilitating the affirmative testing of suspect patents).

<sup>463</sup> See CHEMERINSKY, FEDERAL JURISDICTION, *supra* note 255, at 89-91.

<sup>464</sup> See *Virginia v. Am. Booksellers Ass’n*, 484 U.S. 383, 393 (1988); *Dombrowski v. Pfister*, 380 U.S. 479, 486-87 (1965).

<sup>465</sup> See *supra* Part II.B (addressing how “scarecrow” patents can be used to quash competition).

<sup>466</sup> CHEMERINSKY, FEDERAL JURISDICTION, *supra* note 255, at 90.

<sup>467</sup> See U.S. CONST. art. 1, § 8, cl. 8. I realize this analogy raises several questions about the purpose of the overbreadth doctrine and whether it is properly cabined within the First Amendment context. Moreover, the overbreadth doctrine is an exception to the prudential limitation on third-party standing, whereas the Federal Circuit claims its standing analysis in *Myriad* and similar cases is constitutionally based. See *supra* note 255 (discussing constitutional versus prudential standing requirements). For now, however, I bracket these difficult questions and leave them for future work.

<sup>468</sup> Oral Argument, *supra* note 447, at 31:22.

nies like Apple and Microsoft “would be sued by every consumer out there.”<sup>469</sup> What about public interest organizations like the ACLU and PUBPAT? What would really happen if it was easier for them to sue for declaratory relief in patent cases?

Surely a relaxation of the standing doctrine would bring some changes to our patent system—in fact, that is precisely what the *MedImmune* Court intended. And, of course, it is public rights, not private rights, that are paramount to our patent system, so the fact that patent owners may be negatively affected by relaxed standing requirements are of secondary importance. In any event, these changes are unlikely to turn our patent system on its head as Judge Moore suggests. As Part II of this Article discussed, there are a litany of reasons why parties do not challenge patents in federal court.<sup>470</sup> These disincentives—including the lack of a financial reward, the risk of an infringement suit, and the high cost of litigation—would act as a check to prevent the floodgates on patent declaratory judgment actions from opening. So, relaxing the standing requirement to allow for greater third-party participation in validity disputes will not catastrophically impact our patent system.

## 2. Personal Jurisdiction in Declaratory Judgment Actions

With respect to personal jurisdiction, shifting to a public law approach should likewise be fairly straightforward for the Federal Circuit. The Supreme Court’s analytical framework for personal jurisdiction is sufficiently supple to provide courts with wide discretion regarding fairness and reasonableness.<sup>471</sup> While the Court has identified five specific fairness factors,<sup>472</sup> it has made clear that this is a nonexhaustive list and that the court may take other things into account.<sup>473</sup> Indeed, the Federal Circuit has previously accepted this invitation to exempt cease-and-desist letters from the minimum contacts analysis based on fairness principles.<sup>474</sup> Yet, as I have argued in earlier work, that exemption promotes the out-of-court settlement of patent suits, which may be in the best interests of the parties, but ignores the pub-

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<sup>469</sup> *Id.* at 9:07, 31:22.

<sup>470</sup> See *supra* Part II.C (describing the many disincentives that parties wishing to challenge patents face).

<sup>471</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476-78 (1985).

<sup>472</sup> The factors include: (1) “the burden on the defendant”; (2) “the forum State’s interest in adjudicating the dispute”; (3) “the plaintiff’s interest in obtaining convenient and effective relief”; (4) “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies”; and (5) the states’ “shared interest . . . in furthering fundamental substantive social policies.” *Id.* at 477 (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980)) (internal quotation marks omitted).

<sup>473</sup> *World-Wide Volkswagen*, 444 U.S. at 292.

<sup>474</sup> *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir. 1998).

lic's interest in having patent suits litigated to judgment so that bad patents are eliminated.<sup>475</sup> Were the Federal Circuit to view patent validity disputes properly—meaning as public law litigation—it would conclude that this exemption for cease-and-desist letters is unsound on both doctrinal and policy grounds.<sup>476</sup>

Nor would the Federal Circuit's enforcement activities test conform to a public law approach for patent declaratory judgment actions. By the court's own admission, this test leads to unfair results because it discounts the public's interest in invalidating bad patents, and permits "foreign patentees to shield themselves from domestic litigation."<sup>477</sup> This is particularly troubling in light of the fact that more than half of U.S. patents are granted to foreign entities.<sup>478</sup> Apparently, however, the Federal Circuit believed it could not take these fairness concerns into account once it determined the defendant's contacts with the forum state were insufficient.<sup>479</sup> But even if the Federal Circuit was right about the defendant's contacts,<sup>480</sup> fairness considerations may "serve to establish the reasonableness of jurisdiction upon a lesser showing of minimum contacts than would otherwise be required."<sup>481</sup> In other words, had the Federal Circuit approached this jurisdictional question from a public law perspective—considering all factors (especially the public interest)—the outcome would have been different.

Because patent validity challenges are akin to public law adjudication, this Article urges the Federal Circuit to move toward a public law paradigm for standing and personal jurisdiction in declaratory judgment actions. To effect that shift, the Federal Circuit first needs to embrace the Supreme Court's holistic standards, while resisting the promise of predictability and certainty that comes with formalistic rules. Once embraced, those holistic standards ought to be faithfully implemented, meaning the court must consider all the circumstances when deciding questions of standing and personal jurisdiction. Of particular importance to both of these analyses is the public's interest because of the social welfare implications of bad patents. Thus, by viewing patent validity disputes through this public law model, the

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<sup>475</sup> La Belle, *supra* note 110, at 88 ("[S]ettlement may advantage the private parties involved in the case, [but] the real benefit to the public comes when patent cases are litigated because that is the only way to invalidate bad patents.").

<sup>476</sup> See *id.* at 86-95 (analyzing the Federal Circuit's approach to personal jurisdiction in patent declaratory judgment actions in light of all the fairness factors).

<sup>477</sup> *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1339 (Fed. Cir. 2008).

<sup>478</sup> *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1028 (Newman, J., dissenting) (stating that in 2008 more than 50 percent of granted patents were issued to foreign patentees).

<sup>479</sup> *Avocent*, 552 F.3d at 1339 ("Although we expressed concerns in *Viam* regarding improper attempts by foreign patentees to shield themselves from domestic litigation . . . we cannot ignore the framework for determining jurisdiction within a given forum." (citation omitted)).

<sup>480</sup> See *Vanegas*, *supra* note 391, at 390-91 (arguing that patentee's sales in the forum are relevant to proving validity of the patent).

<sup>481</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477 (1985).

Federal Circuit will remedy its flawed doctrinal architecture regarding standing and personal jurisdiction in patent declaratory judgment actions.

That brings us to the final Part of this Article, which discusses the recently enacted America Invents Act and the sense of urgency it creates. The Supreme Court, Congress, and the President have all recognized the impact of poor quality patents and the benefits of affirmative patent validity challenges, so the time has come for the Federal Circuit to follow their lead.

## V. A CALL FOR PROMPT REFORM

The bad patent problem in this country is not new. Scholars and policymakers have been discussing this phenomenon for years and have proposed various solutions.<sup>482</sup> What is new, however, is that some of these proposals for reform have become law. Not only has the Supreme Court responded to the call for reform by reversing the Federal Circuit in a number of important decisions,<sup>483</sup> but now Congress and the President have weighed in on the issue as well by enacting the America Invents Act—the most comprehensive patent reform legislation in more than fifty years.<sup>484</sup>

The AIA affects many areas of patent law, including substantive and procedural issues relating to both patent prosecution and litigation. Yet, there are common themes running through this legislation that are critical to the thesis of this Article. First, the legislation recognizes that “questionable patents are too easily obtained.”<sup>485</sup> Second, Congress believed that invalid

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<sup>482</sup> La Belle, *supra* note 110, at 52 & n.56 (summarizing criticism of the patent system and various proposed reforms).

<sup>483</sup> See *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 634-35, 638 (2008) (reversing the Federal Circuit and holding that patent exhaustion applies to method patents when the essential or inventive feature of the invention is embodied in the product); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418-19 (2007) (easing the obviousness standard by holding that the Federal Circuit’s “teaching, suggestion, or motivation” test for obviousness should be flexibly applied, not as “rigid and mandatory formulas”); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11 (2007) (rejecting “the Federal Circuit’s ‘reasonable apprehension of suit’ test,” and thus making it easier for alleged infringers to challenge patents via declaratory relief); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006) (rejecting the Federal Circuit’s “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances” because such categorical grants of relief are erroneous, and holding instead that the Federal Circuit should apply the traditional test for injunctive relief “[a]ccording to well-established principles of equity” (internal quotation marks omitted)). Moreover, the Supreme Court recently granted certiorari in *Already, LLC v. Nike, Inc.*, a trademark case involving a question of standing. No. 11-982, 2012 WL 425184 (June 25, 2012). Specifically, the question presented to the Court is “[w]hether a federal district court is divested of Article III jurisdiction over a party’s challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party’s then-existing commercial activities.” Petition for a Writ of Certiorari, *Already, LLC v. Nike, Inc.*, No. 11-982 (2012), 2012 WL 441275. No doubt the decision in *Nike* could have serious implications for patent law.

<sup>484</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>485</sup> H.R. REP. NO. 112-98, pt. 1, at 39 (2011).

patents “are too difficult to challenge,” and so the AIA aims to “provid[e] a more efficient system for challenging patents that should not have issued.”<sup>486</sup> Third, the AIA expands the opportunities for third-party participation in the patent system.<sup>487</sup> And most importantly, the stated purpose of the AIA is to “promote innovation by granting inventors temporally limited monopolies on their inventions in a manner that *ultimately benefits the public*.”<sup>488</sup>

Highlighting a few key provisions of the AIA shows how Congress intends to accomplish these ends. For starters, the AIA precludes the patenting of certain types of inventions deemed of questionable validity.<sup>489</sup> The AIA also increases the opportunities to police patents *ex ante* by allowing third parties to submit potentially invalidating prior art to the PTO before a patent is issued.<sup>490</sup> Finally, the AIA creates various mechanisms for challenging already-issued patents at the PTO, including post-grant review,<sup>491</sup> inter partes review,<sup>492</sup> and a special proceeding for business method patents.<sup>493</sup> Notably, the post-grant and inter partes reviews may be initiated by *any* person other than the owner of the patent, meaning competitors, consumers, advocacy groups, or other members of the interested public have the ability to affirmatively test patents at the PTO.<sup>494</sup>

Thus, the intentions of Congress and the President (as embodied in the AIA) align perfectly with the objectives of this Article’s proposal—to facilitate and encourage patent validity challenges in order to benefit the public good. But even though the AIA represents a significant step in the right direction, it does not go far enough. Older patents, for example, will not be subject to post-grant review since the proceeding must be initiated shortly after the patent is issued;<sup>495</sup> furthermore, the scope of inter partes review is

<sup>486</sup> *Id.* at 39-40.

<sup>487</sup> Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 299 (allowing for third parties to submit prior art to the PTO pre-issuance and to initiate post-grant reviews to challenge patents).

<sup>488</sup> H.R. REP. NO. 112-98, at 40 (emphasis added).

<sup>489</sup> Leahy-Smith America Invents Act, sec. 14, 125 Stat. at 327 (deeming tax strategies as within the prior art and, therefore, unpatentable).

<sup>490</sup> *Id.* sec. 8, 125 Stat. at 315-16.

<sup>491</sup> *Id.* sec. 6, § 321, 125 Stat. at 306.

<sup>492</sup> *Id.* sec. 6, § 311, 125 Stat. at 299.

<sup>493</sup> *Id.* sec. 18, 125 Stat. at 329-31.

<sup>494</sup> *Id.* sec. 6, § 311, 125 Stat. at 299. Unlike in federal court, there is no need for the challengers to demonstrate standing in administrative proceedings before the PTO. However, the AIA allows any party dissatisfied with the decision in post-grant review or inter partes review to appeal directly to the Federal Circuit. *Id.* sec. 6, §§ 319, 329, 125 Stat. at 304, 311. This raises an interesting question about how a party that could not establish standing to sue for declaratory relief in federal court could challenge a patent at the PTO and then end up in federal court on appeal. This looming question provides even greater incentive for courts to clarify the doctrine of standing in patent cases.

<sup>495</sup> Leahy-Smith America Invents Act, sec. 6, § 321(c), 125 Stat. at 306 (post-grant review must be initiated within nine months of the patent grant).

limited to only a few validity defenses.<sup>496</sup> Consequently, robust privately initiated federal court litigation will remain indispensable in the effort to eradicate bad patents. So the sooner the Federal Circuit recognizes and treats patent validity challenges as public law litigation, the better for the patent system, innovation, and society at large.

## CONCLUSION

This Article began with the normative premise that the primary purpose of our patent system, as contemplated by the Constitution itself, is to benefit the public. From there, it challenged the conventional wisdom that patent validity disputes are private law litigation and demonstrated that they fit within the well-defined public law litigation paradigm. It then asked why our patent system lacks robust litigation challenging invalid patents, whereas other public law regimes rely heavily on private enforcement of public rights. It highlighted, in particular, recent struggles of the ACLU and PUBPAT to challenge controversial patents on gene sequences and transgenic seed that are considered by many as particularly dangerous to the public good.

Although scholars have discussed the many pragmatic difficulties impeding affirmative patent testing, few have explored the doctrinal barriers to declaratory relief. This Article has identified standing and personal jurisdiction as significant threshold requirements that patent challengers often are unable to overcome because the Federal Circuit has interpreted and applied these doctrines in a formalistic and litigant-centric manner. I argue that the Federal Circuit has adopted these unsound rules because it wrongly views patent validity challenges through the lens of a private law model. To effect a perspective shift, the Federal Circuit ought to be mindful of the significant social welfare interests implicated by patent validity challenges. Once espousing a public law vision of the patent system, the Federal Circuit's declaratory judgment jurisprudence should evolve naturally to encourage and facilitate patent validity challenges, just as the Supreme Court, Congress, and the President all agree it should.

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<sup>496</sup> *Id.* sec. 6, § 311(b), 125 Stat. at 299 (patents in inter partes review may only be challenged under 35 U.S.C. § 102 or § 103).